Insurance Council of Australia

15 July 2022

Submitted via comment letter:
https://www.ifrs.org/projects/work-plan/general-sustainability-related-disclosures/exposure-draft-and-comment-letters/

Dear International Sustainability Standards Board (ISSB),

Exposure Draft
International Financial Reporting Standards (IFRS) S1: General Requirements for Disclosure of Sustainability-related Financial Information

The Insurance Council of Australia (ICA) is the representative body for the general insurance industry of Australia. The ICA represents approximately 95% of private sector general insurers. As a foundational component of the Australian economy the general insurance industry employs approximately 60,000 people, generates gross written premium of $59.2 billion per annum and on average pays out $148.7 million in claims each working day ($38.8 billion per year).

We commend the ISSB on the publication of its Exposure Draft IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information ([Draft] IFRS S1) and welcome the opportunity to provide comment. We strongly support the ISSB's development of high-quality global standards for sustainability reporting, reflecting decades of development of sustainability reporting voluntary standards and industry practice.

Our submission draws on the consolidated feedback of the ICA' members and focuses on issues and implementation concerns raised during consultation. These are set out below, with specific responses to the consultation questions raised by the ISSB included within **Attachment A**. Some members will also provide their own separate submission.

We also endorse the Australian Voice submission that collectively represents the voice of peak professional, industry and investor bodies in Australia representing leading business and finance professionals who have come together to prepare a joint submission on the IFRS Exposure Drafts.

Globally consistent, consolidated framework

We welcome the consolidation of existing standards such as the Climate Disclosure Standards Board (CDSB) and Value Reporting Foundation (VRF) into one overarching framework and recommend that the ISSB provide guidance on how emerging standards such as the Taskforce for Nature-Related Financial Disclosures will be accommodated over time as practices continue to evolve.

While a memorandum of understanding exists between the Global Reporting Framework (GRI) and ISSB, further clarity is required regarding the scope of materiality assessment under ISSB and its relationship to GRI requirements, as discussed further below. ISSB could also consider forming agreements with key independent data and indices organisations such as the Carbon Disclosure Project (CDP), Dow Jones Sustainability Index (DJSI), Sustainalytics and MSCI, for example, to further streamline citation and digital tagging of disclosures, reducing the reporting burden while delivering better quality disclosures and sustainability outcomes.

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Reporting boundaries

There are significant challenges disclosing all significant sustainability-related risks and opportunities across the insurance value chain due to a current lack of measurement methodologies and data collection processes. Despite this, sustainability risks and opportunities in an insurer's value chain are likely to be significant (i.e., investment and underwriting) and disclosing this information will be important to manage issues and avoid greenwashing claims.

We recommend that a phased approach to the introduction of reporting requirements be used to allow time for entities to develop measurement methodologies and data collection processes. A materiality threshold could also apply, for example omitting subsidiaries and joint ventures if they do not comprise a material part of activities within the reporting entity's financial or operational control. There are particular complexities regarding joint ventures and the degree of operational control parent companies have to then enable emissions reduction. Additional guidance would be welcomed to assist in the standardisation of approach to joint ventures, noting the application of a materiality threshold.

Materiality

We do not agree with the inclusion of sustainability-related financial disclosures in an entity's general purpose financial reporting as the scope of disclosures required is unclear. We note that paragraph 1 of the [Draft] IFRS S1 requires disclosure of sustainability-related financial information relevant only to enterprise value. However, paragraph 2 of the [Draft] IFRS S1 also requires disclosure of "all significant related risks and opportunities". This suggests that broader non-financial disclosures are also required, consistent with the approach taken under the GRI. Clarity should be provided on the scope of disclosures required, and alignment with GRI requirements including aligning to upcoming refreshed guidance from GRI on undertaking materiality assessments.

Effective date

The Insurance Council believes that both standards should be effective from the same date. However, the effective date should be a minimum of two years from the release of the final ISSB standards to allow time for companies to develop measurement methodologies, data collection processes and adequate resourcing, particularly where smaller companies have limited capabilities. Early adoption of the standards should however be encouraged noting urgent action is required to transition to a sustainable economy and limit the impacts of global warming.

The ISSB also has an important role to play in educating organisations on disclosing in accordance with the proposed standards. We note that the Taskforce for Climate-related Disclosures (TCFD) provided a similar role upon the release of its recommendations and maintains a resources database named the TCFD Knowledge Hub.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Alix Pearce, Senior Advisor Climate Action, apearce@insurancecouncil.com.au

Yours sincerely

Andrew Hall
Executive Director and CEO

ATTACHMENT A: RESPONSE TO ISSB [Draft] IFRS S1 QUESTIONS

Question	Insurance Council Response
Question 1 – Overall approach	
a. Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?	Yes.
b. Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?	Yes, there is some uncertainty in terminology and scope of information required to be disclosed to assess enterprise value and decide whether to provide resources to the entity. In particular, the requirement to disclose "material" information about all of the "significant" sustainability-related risks and opportunities creates uncertainty around the materiality test to be applied to disclosures. The relationship between disclosures under the Exposure Draft and GRI also requires clarification, particularly with respect to the scope of materiality. See responses to Q2b and Q8a below for further information.
c. Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [Draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?	Yes, the Exposure Draft is clear that general requirements must be complied with through providing more specific information under each IFRS Sustainability Disclosure Standard, or other standards if no IFRS Sustainability Disclosure Standard exists for the relevant material sustainability risk or opportunity.
d. Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?	No, clearer definitions of "sustainability-related financial information" and "materiality" would support assessment of compliance. See responses to Q2b and Q8a below for further information.

Question 2 – Objective (paragraphs 1-7)	
a. Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?	Yes, the objective of disclosing sustainability-related financial information is clearly set out at [paragraph 2] namely providing information that is, *“useful to the primary users of general-purpose financial reporting when they assess enterprise value and decide whether to provide resources to the entity.”*
b. Is the definition of ‘sustainability-related financial information’ clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?	No, clarity on the definition of “sustainability” and perhaps a non-exhaustive list of sustainability matters would be a useful guide to entities. For example, the Sustainability Accounting Standards Board (SASB) refers to the definition of sustainability as follows: *“The SASB’s use of the term “sustainability” refers to corporate activities that maintain or enhance the ability of the company to create value over the long term. Sustainability accounting reflects the governance and management of a company’s environmental and social impacts arising from production of goods and services, as well as its governance and management of the environmental and social capitals necessary to create long-term value. The SASB also refers to sustainability as “ESG” (environmental, social, and governance), though traditional corporate governance issues such as board composition are not included within the scope of the SASB’s standards-setting activities.”* Clarity should be provided on whether the above definition applies to [Draft] IFRS S1 given that SASB is now part of the VRF and ISSB.
Question 3 – Scope (paragraphs 8-10)	
a. Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction’s GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?	Yes, however each jurisdiction will need to provide guidance that proposals in the Exposure Draft could be used in accordance with its GAAP requirements. We note that Australia already adopts the IFRS Accounting standards, so we see no issue from an Australian perspective.

Question 4 – Core content (paragraphs 11-35)	
a. Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?	Yes, the disclosure objectives are clearly and appropriately defined, aligned to the recommendations of the TCFD. The Insurance Council agrees with using the TCFD recommendations framework as a basis for the disclosure objectives.
b. Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?	Yes, however some disclosure requirements include commercially sensitive information, which may inhibit disclosure unless certain uncertainty and protection measures are included.
Question 5 – Reporting entity (paragraphs 37-41)	
a. Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?	Yes, we agree.
b. Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?	Yes, however a phased approach is required to allow time for companies to develop measurement methodologies, data collection processes and adequate resourcing. A materiality threshold should also apply, for example omitting subsidiaries and joint ventures if they do not comprise a material part of activities within the reporting entity's financial or operational control. There are particular complexities regarding joint ventures and the degree of operational control parent companies have to then enable emissions reduction. Additional guidance would be welcomed to assist in the standardisation of approach to joint ventures, noting the application of a materiality threshold. Examples of how sustainability-related risks and opportunities effect value chains by key industry (manufacturing, extracting, financial services etc.) would also be useful.
c. Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?	Yes, we agree with [para 38]: *"An entity shall disclose the financial statements to which the sustainability-related financial disclosures relate",* because it will make it easier for investors and other users of general-purpose financial reporting to navigate the reporting landscape of entities.

Question 6 – Connected information (paragraphs 42-44)	
a. Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?	Yes, the requirement for connectivity is clear. Although [para 44] provides some examples, it would be beneficial to have more guidance on how this connectivity is to be achieved. Additionally, the ISSB could agree with other sustainability reporting standards (such as the GRI, United Nations (UN) Principles for Responsible Banking and UN Principles for Responsible Investing) that where elements are reported under the ISSB framework, they don't need to be duplicated in other reports (e.g., the GRI report). ISSB could also form agreements with key independent data and indices organisations such as the CDP, DJSI, Sustainalytics and MSCI, for example, to streamline citation and digital tagging of disclosures. This digital capability will reduce the reporting burden and ensure organisations remain focused on delivering better sustainability outcomes.
b. Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?	No, we do not agree with the inclusion of sustainability-related financial disclosures in an entity's general purpose financial reporting as the scope of disclosures required is unclear (see Q10a). However, if sustainability-related reporting is to be included in financial reporting it is important for these connections to be highlighted so investors can clearly identify areas of risk and opportunity for the entity, as well as increasing transparency of reporting.
Question 7 – Fair representation (paragraphs 45-55)	
a. Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?	The proposal to present fairly is clear, including the requirements for aggregation. We agree with the statements around aggregation as it allows more transparency into the data, hence allowing more appropriate decision making relevant to the risks and opportunities a company faces. (As we understand it, a company with high climate risk in one location and low climate risk in another location would not comply with the standards if they stated an overall climate risk of moderate) Disclosure requirements in the proposal be should standalone and not rely on other external frameworks such as the CDSB, creating issues for

	compliance and assurance. The wording 'entity shall consider' should be amended to reflect that consideration of the frameworks is optional (i.e., 'entity may consider') and only for the purposes of providing additional guidance on identifying sustainability risks and opportunities.
b. Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.	We do not entirely agree with the section on 'Identifying sustainability-related risks and opportunities and disclosures'. As per [para 50], *"This [draft] Standard requires an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed (see paragraph 2)."* The wording indicates that both financial and non-financial disclosures are required, i.e. broader than enterprise value. This needs to be clarified. In [para 51] and [para 52], S1 points to the IFRS Sustainability Disclosure Standards as the source of disclosure topics. However, the standard also refers to other frameworks for identifying relevant disclosure topics. In particular, [para 51] states *"In addition to IFRS Sustainability Disclosure Standards, an entity shall consider … "*. This does not appear to be a consolidation of sustainability standards, as the ISSB claims to be targeting, but rather a re-direction. The standards require entities to consider all sources of guidance, thus not making sustainability reporting any easier. We would prefer the standards to provide their own guiding lists on disclosure topics (which may draw from SASB etc), or to provide the sources of guidance as a recommendation rather than a requirement.
Question 8 – Materiality (paragraphs 56-62)	
a. Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?	No, the definition of materiality is not clear. [Para 1] requires disclosure of sustainability-related financial information relevant only to enterprise value. However, [para 2] requires disclosure of "all significant related risks and opportunities". This suggests that broader non-financial disclosures are also required, consistent with the approach taken under the GRI. Clarity should be provided on the scope of disclosures required, and alignment with GRI requirements. This includes aligning to upcoming refreshed guidance from GRI on how to undertake materiality assessments.

b. Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?	No, as per [para 60], an entity need not provide a specific disclosure if the information resulting from that disclosure is not material. We consider disclosure of material information is appropriate, rather than the entire breadth of sustainability-related risks and opportunities.
c. Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?	Yes, it is useful, however more guidance on identifying material sustainability-related financial topics would be welcomed. This could include a non-exhaustive list of sustainability matters, with recognition that sustainability materiality is much more qualitative than financial materiality.
d. Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?	Yes. It is necessary to allow companies to report in a manner that is not inconsistent with local laws and entities should *"identify the type of information not disclosed and explain the source of the restriction"* [para 62] to enable assurance over non-disclosure. Additionally, market forces are likely to encourage increased transparency of disclosures, and this will (slowly) drive changes in local legislation.

Question 9 – Frequency of reporting (paragraphs 66-71)

a. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?	Yes, we agree that *"An entity shall report its sustainability-related financial disclosures at the same time as its related financial statements and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements"* [para 66]. This is important in giving the standards the credibility. Initially there does, however, need to be an allowance for variation dependent upon data availability (see Q13).

Question 10 – Location of information (paragraphs 72-78)

a. Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?	No, we do not agree with the inclusion of sustainability-related financial disclosures in an entity's *"general purpose financial reporting"* [para 72] as the scope of information to be disclosed is unclear. See response at Q8a.
b. Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?	No.

c. Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general-purpose financial reporting on the same terms and at the same time as the information to which it is cross referenced? Why or why not?	See Q10a above.
d. Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?	Yes, [para 78] is clear and the included example aids understanding.
Question 11 – Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63-65, 79-83 and 84-90)	
a. Have these general features been adapted appropriately into the proposals? If not, what should be changed?	Yes, regarding [para 63], clarity on the provision of 'uncertainty' is required to encourage entities to disclose despite the fact that calculation methodologies are not yet standardised and data quality/completeness remains low, for example some Scope 3 greenhouse gas (GHG) emissions (e.g. finance/underwriting and value chain). Clarity on disclosing levels and ranges of uncertainty, will support uptake, consistent and the establishment of best practice.
b. Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?	See Q11a above.
c. Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?	N/A
Question 12 – Statement of compliance (paragraphs 91-92)	
a. Do you agree with this proposal? Why or why not? If not, what would you suggest and why?	Yes, we agree with the inclusion of *"an explicit and unqualified statement of compliance"* [para 91]. This is standard practice, with other sustainability frameworks, such as GRI, allowing companies to claim their

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	reports have been prepared in accordance with these frameworks. Such a statement would also provide a high-level indication of the comprehensiveness of an organisations' sustainability reporting. However, allowances and a phased approach should be used for uncertainty in information disclosed to avoid legal risks associated with material misstatement. However, standardised wording for a disclaimer should be included in the statement of compliance to allow for the inherent uncertainties and assumptions that are used by companies when reporting on forward looking measures, such as climate risk and financial performance. This is also to limit exposure of disclosing organisations in Australia to potential liability for misleading and deceptive disclosure under Australian Law (for example s1041H of the Corporations Act 2001 and s18 of the Australian Consumer Law).
Question 13 – Effective date (Appendix B)	
a. When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.	The Insurance Council proposes that both standards should be effective from the same date. However, the effective date should be a minimum of two years from the release of the final ISSB standards to allow companies time to develop measurement methodologies, data collection processes and adequate resourcing, particularly where smaller companies have limited capabilities. Early adoption of the standards should be encouraged, noting urgent action is required to facilitate the orderly transition of the financial system to a sustainable economy. The ISSB also has an important role to play in educating organisations on disclosing in accordance with the proposed standards. We note that the TCFD provided a similar role upon the release of its recommendations and maintains a resources database named the TCFD Knowledge Hub.
b. Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?	Yes, we agree.
Question 14 – Global baseline	

a. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?	While SASB metrics are a good source of industry metrics, some adjustments may be required to meet the needs of multiple jurisdictions. See our submission in response to [Draft] IFRS S2 Climate-related Disclosures Standards (**[Draft] IFRS S2**) for further details.

Question 15 – Digital reporting

a. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?	We are supportive of digital reporting and would further suggest linkage with external ESG assessments. For example, there is an opportunity to harmonise ISSB-aligned reports with CDP, DJSI, Sustainalytics and MSCI (etc.) questionnaires by using digital tagging. This would reduce the volume of sustainability reporting and improve consistency across various reporting frameworks.

Question 16 – Costs, benefits and likely effects

a. Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?	There is a need for harmonisation across jurisdictions so we welcome these standards, with the opinion they will benefit greater transparency of the potential financial impacts to an organisation’s sustainability risks and opportunities, as well as accelerating the adoption of consistent, comprehensive sustainability-related disclosures. There will be significant financial costs of implementation for some organisations in terms of the collection and disclosure of robust, consistent, and reliable industry-specific information, as well as costs more specific to the [Draft] IFRS S2 like obtaining climate related scenario analysis. A phased approach is therefore required (see Q13 above).
b. Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?	See Q16a above.
Question 17 – Other comments	
a. Do you have any other comments on the proposals set out in the Exposure Draft?	There is a risk that compliance with the ISSB standards, when combined with financial reporting, will lead to long reports that have limited value for

preparers, investors and assurers. As such, consideration should be given to the expected length and depth of an ISSB Standard-aligned report, ensuring concise and efficient transfer of sustainability information.

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15 July 2022

Submitted via comment letter:
https://www.ifrs.org/projects/work-plan/climate-related-disclosures/exposure-draft-and-comment-letters/

Dear International Sustainability Standards Board (ISSB),

Exposure Draft
International Financial Reporting Standards (IFRS) S2: Climate-related Disclosures

The Insurance Council of Australia (ICA) is the representative body for the general insurance industry of Australia. The ICA represents approximately 95% of private sector general insurers. As a foundational component of the Australian economy the general insurance industry employs approximately 60,000 people, generates gross written premium of $59.2 billion per annum and on average pays out $148.7 million in claims each working day ($38.8 billion per year).

We commend the ISSB on the publication of its Exposure Draft IFRS S2: Climate-related Disclosures ([Draft] IFRS S2) and welcome the opportunity to provide comment. The insurance industry is uniquely placed to understand the impacts worsening extreme weather events are having on communities and infrastructure in Australia, as well as the broader implications for the availability and affordability of insurance. We strongly support the ISSB's development of high-quality global standards for reporting climate-related risks and opportunities, supporting greater and more effective management of risk, as well as opening up new markets, products and services opportunities.

Our submission draws on the consolidated feedback of the Insurance Council's members and focuses on issues and implementation concerns raised during consultation. These are set out below, with specific responses to the consultation questions raised by the ISSB included within **Attachment A**. Some members will also provide their own separate submission.

We also endorse the Australian Voice submission that collectively represents the voice of peak professional, industry and investor bodies in Australia representing leading business and finance professionals who have come together to prepare a joint submission on the IFRS Exposure Drafts.

Globally consistent, consolidated framework

We support the inclusion of the Taskforce for Climate-Related Financial Disclosure (TCFD) structure in [Draft] IFRS S2, which brings together existing approaches and streamlines reporting practices.

Where appropriate, [Draft] IFRS S2 should align with existing climate-related standards, local laws and regulations, so that the standard meets both local and global requirements while avoiding duplication. This is particularly important given many entities are affected by the development of mandatory climate-related financial reporting, such as within New Zealand, the United States of America and Europe (and likely Australia in the near future).

Strategy and risk management

Guidance is required on whether transition plans (e.g. net zero roadmaps, portfolio decarbonisation strategies etc.) should support the transition to a low-carbon economy more broadly (aligned to Nationally Determined Contributions and implied decarbonisation pathways) or company specific

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targets with clear transparency on assumed decarbonisation trajectories. We recommend that transition plans align to broader jurisdictional requirements and the Paris Agreement, but that early achievement of targets and increased ambition be encouraged, noting that urgent action is required to facilitate an orderly transition to a low carbon economy.

In addition, we note that financial position, financial performance and cash flows associated with climate-related risks and opportunities over the short, medium and long term are inherently uncertain. Standardised wording for a disclaimer should be included to reflect the uncertainty in forward looking statements disclosed to avoid legal risks associated with material misstatement.

Guidance should also be provided on preferred climate scenarios aligned to the TCFD and embedded in [Draft] IFRS S2, noting that the proposed standard builds upon the recommendations of the TCFD.

A phased approach to reporting requirements should be used to allow entities time to prepare for the detailed scenario analysis requirements included in [Draft] IFRS S2.

Metrics, targets and methodologies

Cross-industry metrics are useful to encourage harmonisation across different sectors globally. However, a materiality threshold should be applied to disclosure against key metrics and flexibility should be afforded where metrics and data are not yet available, for example financed emissions across some investment asset classes and underwriting portfolios, which are currently under development by the Partnership for Carbon Accounting Financials (PCAF).

We welcome the opportunity to internationalise the Sustainability Accounting Standards Board (SASB) metrics included in [Draft] IFRS S2 and note that some adjustments may be required to accommodate the needs of multiple jurisdictions. We also recommend conducting field testing on industry specific metrics across regions to understand their applicability and usefulness to users of the general-purpose financial statements, and the availability of data to disclose. We note the following concerns about proposed metrics for insurers (Appendix B, Volume B17 – Insurance):

- Policies Designed to Incentivise Responsible Behaviour: Product features that incentivise health, safety and environmentally responsible actions and/or behaviours will be difficult to analyse as they cannot easily be measured. We also recommend that policies include wider ESG factors such as governance, code of conduct and privacy training.
- Physical Risk Exposure: Further clarity is needed on measuring monetary losses attributable to insurance payouts from modelled natural catastrophes. The metric overlaps with business-as-usual capital management, reinsurance requirements and pricing and further direction should be provided to ensure that disclosures provide useful additional information on the financial effects of climate change.
- Transitional Risk Exposure:
  - Disclosing gross-exposure to carbon related industries should be accompanied by a transition plan to communicate the actions that an entity is taking to transition to a lower carbon economy, despite existing exposures
  - It is unclear why there is a requirement to disclose Scope 1 and 2 financed emissions as the definition of financed emissions is limited to Scope 3 emissions only (i.e., loans, underwriting, investments, and any other forms of financial services)

Supply chain emissions are a large portion of insurer's overall emissions. Cross-industry metrics for the measurement of the emissions across an insurer's supply chain and building the literacy of

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suppliers to take action to decarbonise their operations should also be included as a valuable addition to supporting the insurance sector to decarbonise.

Emissions reporting

There are methodology and data gaps which prevent the accurate measurement and reporting of some Scope 3 greenhouse gas (GHG) emissions across underwriting portfolios, supply chains and some investment asset classes (i.e. sovereign bonds, exchange traded funds, derivatives etc.) Some of these gaps are set to be addressed over the next few years through PCAF and the Net-Zero Insurance Alliance (NZIA). Requiring the disclosure of Scope 3 GHG emissions in the near-term could impose significant costs, particularly on smaller entities that do not have the requisite resources or capabilities. Therefore, we recommend a phased approach for these disclosures to support entities in improving disclosures whilst accounting for initial data unavailability.

Effective date

The Insurance Council believes that both standards should be effective from the same date. Any effective date should be a minimum of two years from the release of the final ISSB standards to allow time for companies to develop measurement methodologies, data collection processes and adequate resourcing to respond to [Draft] IFRS S2 disclosure requirements, particularly where smaller companies have limited capabilities. Early adoption of the standards should however be encouraged noting the urgency with which action is required to transition to a sustainable economy and limit the impacts of global warming.

The ISSB also has an important role to play in educating organisations on disclosing in accordance with the proposed standards. We note that the TCFD provided a similar role upon the release of its recommendations and maintains a resources database named the TCFD Knowledge Hub.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Alix Pearce, Senior Advisor Climate Action: apearce@insurancecouncil.com.au

Yours sincerely

Andrew Hall
Executive Director and CEO

ATTACHMENT A: RESPONSE TO ISSB [Draft] IFRS S2 QUESTIONS

Question	Insurance Council Response
Question 1 – Objective of the Exposure Draft (paragraph 1)	
a. Do you agree with the objective that has been established for the Exposure Draft? Why or why not?	Yes, we agree with the objective to require entities to disclose information about their exposure to significant climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting.
b. Does the objective focus on the information that would enable users of general-purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?	Yes.
c. Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?	Yes, subject to any adjustments of SASB metrics that may be required to meet the requirements of multiple jurisdictions (Appendix B, Volume B17 - Insurance).
Question 2 – Governance (paragraphs 4-5)	
a. Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?	Yes, we agree. The disclosure requirements on governance build upon the TCFD recommendations which we agree with using as a basis for the disclosures.
Question 3 – Identification of climate-related risks and opportunities (paragraph 9)	
a. Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?	Yes. However, further clarity is required regarding the following wording, *"an entity shall disclose…. the effects of significant climate-related risks and opportunities on its financial position, financial performance, and cash flows"* (para 8). In particular, whether disclosures should include all 'climate-related' impacts that have occurred (i.e. all weather events) or just those that can be attributed to climate change itself, noting the latter will be challenging to calculate. Additionally, the requirements may not be capable of consistent application as financial information may be commercially sensitive and not feasible to disclose without certain uncertainty and protection measures.

b. Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?	Yes, noting our response at Q1c above.
Question 4 – Concentrations of climate-related risks and opportunities in an entity's value chain (paragraph 12)	
a. Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?	Yes, however there are practical challenges associated with a lack of data and methodologies for assessing climate-related risks and opportunities across an insurance entity's business model and value chain, including measuring emissions and conducting scenario analysis over investment and underwriting portfolios and supply chains. Compliance will also be more difficult for smaller entities who do not yet have the requisite resourcing. We recommend a phased approach to implementation to allow time for entities to develop measurement methodologies and data collection processes.
b. Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?	Yes, but only if it is unable to provide quantitative information [para 14].
Question 5 – Transition plans and carbon offsets (paragraph 13)	
a. Do you agree with the proposed disclosure requirements for transition plans? Why or why not?	Yes, however many companies already have transition plans in place (e.g. net zero roadmaps, portfolio decarbonisation strategies etc.), and a phased approach could be used to allow companies time to amend plans to meet the disclosure requirements of [Draft] IFRS S2. Guidance is required on whether transition plans should support the transition to a low-carbon economy more broadly (aligned to Nationally Determined Contributions and implied decarbonisation pathways) or company specific targets with clear transparency on assumed

	decarbonisation trajectories. We recommend that transition plans align to broader jurisdictional requirements and the Paris Agreement, but that early achievement of targets and increased ambition be encouraged, noting that urgent action is required to facilitate an orderly transition to a low carbon economy.
b. Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.	No.
c. Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?	Yes, the proposed carbon offset disclosures will support comprehensive and transparent disclosure of how entities carbon offsets will add credibility to carbon market practices, avoiding risks associated with greenwashing.
d. Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?	Yes, we note that in accordance with the mitigation hierarchy for the insurance sector, emissions should be avoided or reduced before they are offset. The costs associated with disclosure are therefore likely to be minimised.
Question 6 – Current and anticipated effects (paragraph 14)	
a. Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?	Yes.
b. Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?	Yes, where information is available. We also recommend that an allowance be made for ranges of uncertainty in disclosure, to support uptake, consistent and the establishment of best practice.
c. Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial	No, subject to further guidance on how such information could be reliably measured. Standardised wording for a disclaimer should also be included

position and financial performance over the short, medium and long term? If not, what would you suggest and why?	to allow for inherent uncertainty in information disclosed to avoid legal risks associated with material misstatement.
Question 7 – Climate resilience (paragraph 15)	
a. Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?	No, further clarity is needed on whether climate scenario outcomes are expected to be linked to the financial statements. For example, climate scenario outcomes may result in contingency planning and reserving that would impact the balance sheet.
b. The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy. (i) Do you agree with this proposal? Why or why not? (ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not? (iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?	Yes, however a phased approach should be included to allow entities time to prepare for the detailed scenario analysis requirements. Guidance should also be provided on preferred climate scenarios aligned to the TCFD and embedded in [Draft] IFRS S2, noting that the proposed standard builds upon the recommendations of the TCFD.
c. Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?	Yes, as per Q7b above.
d. Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?	Yes.
e. Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?	Yes, as per Q7b above.

Question 8 – Risk management (paragraphs 16-18)	
a. Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?	Yes.
Question 9 – Cross-industry metric categories and greenhouse gas emissions (paragraphs 19-22)	
a. The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?	Yes, cross-industry metric categories are useful to encourage harmonisation across different sectors globally. However, a materiality threshold should be applied to disclosure in accordance with metrics and flexibility should be afforded where metrics and data are not yet available, for example financed emissions across all investment asset classes (i.e. sovereign debt) and underwriting portfolios, which are currently under development by PCAF. Specific guidance should also be developed to support a common methodology for the measurement of the emissions across an insurer's supply chain and to build the literacy of suppliers to take action to decarbonise their operations. Supply chain emissions are a large portion of insurer's overall emissions, and this guidance (with supporting metrics) would be very valuable in supporting the insurance sector to decarbonise.
b. Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.	See response to Q9a above regarding supply chain guidance and metrics.
c. Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?	Yes, the GHG Protocol is the leading international standard for GHG emissions measurement and supports harmonisation across jurisdictions.

d. Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?	Yes, aggregation of GHGs into CO_2 equivalent makes reporting and comparing more straightforward.
e. Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for: (i) the consolidated entity; and (ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?	Only for the consolidated entity. Disclosing Scope 1 and 2 emissions information on associates, joint ventures, unconsolidated subsidiaries and affiliates requires reporting on a financial control / equity share basis. This is a significant departure from the current practice and the reporting options available under the GHG Protocol. We recommend this information be disclosed as part of Scope 3 emissions for the entity, consistent with existing GHG Protocol requirements. There are complexities regarding joint ventures and the degree of operational control parent companies have to direct emissions reduction. Additional guidance would be welcomed to assist in the standardisation of approach to joint ventures.
f. Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?	Yes, subject to a materiality threshold and the effective date should allow time for methodologies to be developed and data collected. This is particularly relevant for smaller entities who do not yet have the requisite resourcing.
Question 10 – Targets (Paragraph 23)	
a. Do you agree with the proposed disclosure about climate-related targets? Why or why not?	Yes.
b. Do you think the proposed definition of ‘latest international agreement on climate change’ is sufficiently clear? If not, what would you suggest and why?	Yes.
Question 11 – Industry-based requirements (Appendix B, Volume B17)	
a. Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to	Yes, however some adjustments to metrics included in [Draft] IFRS S2 may be required to accommodate the needs of multiple jurisdictions. We

Insurance Council of Australia

apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?	also recommend conducting field testing on industry specific metrics across regions to understand their applicability and usefulness to users of the general-purpose financial statements, and whether disclosers have sufficient data to report, similar to the approach taken with PCAF standards.
	
	We note the following concerns about proposed metrics for insurers (Appendix B, Volume B17 – Insurance):
	• Policies Designed to Incentivise Responsible Behaviour: Product features that incentivise health, safety and environmentally responsible actions and/or behaviours will be difficult to analyse as they cannot easily be measured. We also recommend that policies include wider ESG factors such as governance, code of conduct and privacy training.
	• Physical Risk Exposure: Further clarity is needed on measuring monetary losses attributable to insurance payouts from modelled natural catastrophes. There is currently no differentiation between the future climate change component and existing natural catastrophes. The metric overlaps significantly with business-as-usual capital management, reinsurance requirements and pricing and will be challenging to implement in a manner that provides useful additional information on the financial effects of climate change.
	• Transitional Risk Exposure:
	    ○ Disclosing gross-exposure to carbon related industries should be accompanied by a transition plan to demonstrate the full picture of an entity's transition journey to a lower carbon economy
	    ○ The requirement to disclose Scope 1 and 2 financed emissions is unclear as financed emissions are defined as indirect, Scope 3 emissions that can be related to loans, underwriting, investments, and any other forms of financial services (i.e. excluding Scope 1 and 2 emissions)

b.	Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?	See response to Q11a above.
c.	Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?	Yes, however see response to Q11a above.
d.	Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?	Yes, the requirements will improve transparency and, in time, consistency of approach. However, methodologies are still under development and compliance should be optional until the relevant methodologies are established.
e.	Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?	Yes, we agree with the list of carbon-related industries in Appendix B, Volume B17 – Insurance. However, there are other industries such as agriculture and animal farming that are carbon-related and should be included in the list.
f.	Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?	Yes, we agree. This is standard practice.
g.	Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?	See response to Q11d above.
h.	Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?	See response to Q11d above.
i.	In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total	See response to Q11d above.

	assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?	
j.	Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?	Yes, subject to response to Q9a and Q11a above.
k.	Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.	Yes, see response to Q9a above.
l.	In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?	The Insurance industry description should be rephrased to better reflect the insurance business model and specificities, i.e. to include re-insurance and the development of new insurance products (Appendix B, Volume B17 - Insurance).
Question 12 – Costs, benefits and likely effects (Paragraphs BC46–BC48 of the Basis for Conclusions)		
a.	Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?	There is a need for harmonisation across jurisdictions so we welcome these standards, with the opinion they will benefit greater transparency of the potential financial impacts to an organisation's ESG risks and opportunities, as well as accelerating the adoption of consistent, comprehensive sustainability-related disclosures. There will be significant financial costs of implementation for some entities in terms of the collection and disclosure of robust, consistent and reliable industry-specific information. Any effective date should therefore provide reasonable time for entities to prepare and disclose.
b.	Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?	See Q12a above.
c.	Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?	For many entities, Scope 3 financed emissions methodologies are not fully developed. Thus, enforcing the disclosure of Scope 3 emissions in the near-term could impose significant costs, particularly on smaller

	entities that do not have the requisite resources. Recognising that there is investor demand for greater transparency, we recommend a phased approach to support entities in improving disclosures whilst accounting for initial data unavailability (see Q14).
Question 13 – Verifiability and enforceability (Paragraphs C21–24, S1)	
a. Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.	There are significant challenges associated with assurance of scenario models and Scope 3 emissions, given the quantum of inputs, level of estimation and variability in assumptions.
Question 14 – Effective date (BC190–BC194 of the Basis for Conclusions)	
a. Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?	Both Exposure Drafts should be effective from the same date.
b. When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.	Any effective date should provide reasonable time for entities to prepare and disclose. Feedback from members indicated that an effective date should be a minimum of two years from the release of the final ISSB standards, depending on the size and capability of the entity disclosing. See also response to Q9f above. Early adoption of the standards should however be encouraged noting urgent action is required to transition to a sustainable economy and limit the impacts of global warming. The ISSB also has an important role to play in educating organisations on disclosing in accordance with the proposed standards. We note that the TCFD provided a similar role upon the release of its recommendations and maintains a resources database named the TCFD Knowledge Hub.
c. Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements	Governance and strategy could potentially be disclosed earlier than the other requirements, but the primary reason for implementing this would be to allow companies time to develop methodologies for reporting and data collection. Our members have expressed concern for meeting the metrics and targets requirements (particularly with respect to Scope 3 emissions),

could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?	so a phased disclosure approach for these may assist in increasing compliance with [Draft] IFRS S2.

Question 15 – Digital reporting

a. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?	We are supportive of digital reporting and would further suggest linkage with external climate assessments. For example, there is an opportunity to harmonise ISSB-aligned reports with Carbon Disclosure Project (CDP) questionnaires by using digital tagging. This would reduce the volume of climate reporting and improve consistency across various reporting frameworks.

Question 16 – Global baseline

a. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?	While SASB metrics are a good source of industry metrics, some adjustments may be required to meet the needs of multiple jurisdictions. See responses to Q1c and Q11a above.

Question 17 – Other comments

a. Do you have any other comments on the proposals set out in the Exposure Draft?	There is a risk that compliance with the ISSB standards, when combined with financial reporting, will lead to long reports that have limited value for preparers, investors and assurers. As such, consideration should be given to the expected length and depth of an ISSB Standard-aligned report, ensuring concise and efficient transfer of sustainability information.

29 July 2022

International Sustainability Standards Board
Columbus Building
7 Westferry Circus, Canary Wharf
London, E14 4HD
United Kingdom

Via email: commentletters@ifrs.org

Dear International Sustainability Standards Board

Draft IFRS S1 General Requirements for Disclosure of Sustainability Related Financial Information; Draft IFRS S2 Climate-related Disclosures

Thank you for the opportunity to comment on these standards. In summary, whilst I believe establishing a mandatory sustainability reporting regime is important, in order to genuinely serve the public interest the users and scope of this regime should be broadly specified and an appropriate definition of materiality adopted. Further, corporations should be required to disclose the sustainability information they provide as part of meeting other reporting obligations and the subject matter expertise of the ISSB expanded.

Establishing mandatory sustainability reporting standards is critically important

In line with many other submissions, I believe establishing that mandatory internationally consistent sustainability reporting standards is critically important. Much academic research has shown that corporate reporting under a voluntary disclosure regime has been incomplete at best and deliberately misleading at worst.

Sustainability accounting standards should reflect the stated objective of the accounting profession to act in the public interest

The recognition that the topics of accounting should expand beyond the reporting of financial transactions should be accompanied by the equally important realisation that the audience of accounting information should move beyond investors. This claim clearly follows from the ethical framework that underpins the accounting profession: The IFAC *Code of Ethics for Professional Accountants* (and its equivalents around the world) states that the primary mission of accountants is not to serve the investment community alone, but rather to serve the public interest.

There is significant tension between the espoused public interest orientation of the accounting profession and promulgating a set of sustainability accountings standards explicitly focused on the needs of investors, especially given the fact that the very reason sustainability issues are important is because of their impact on the public. As noted above, suggesting that other voluntary standards will meet the needs of the wider community ignores a wealth of evidence to the contrary.

I note that there are objections as to whether such an expanded focus is practically achievable, both in terms of content and verification. Yet there is a long history of the preparation and independent assurance of sustainability reporting. Whilst it is true that this history is chequered, there is also extensive experience in preparing sustainability reports, and assuring them, all around the world. Simply put, we know it can be done because it is already being done.

Consequently, the ISSB should not limit itself to the creation of sustainability standards that meet the needs of the investment community but also engage in creating standards that provides the additional information required by wider stakeholders. It is only by adopting this expanded perspective that the stated aim of the accounting profession to serve the public interest will be achieved.

If the investor focus is retained, materiality should be explicitly recognised to have a long-term focus and include a requirement for regular and rigorous consultation

Whilst I strongly advocate a suite of sustainability standards explicitly grounded in the public interest, it is also my view that some progress is better than none at all. If the investor focus is to be retained, all will not be lost as long as the definition of materiality be appropriately constructed. After all, corporate activities that materially impact the lives of other stakeholders will also have a material impact on the financial performance of that entity as long as an appropriate time horizon is considered. Indeed, a significant portion of the global investment pool is held by superannuation and sovereign wealth funds that operate with long-term time horizons and actively intervene in order to promote alignment of corporate activities with broader societal interests. Such investors require a comprehensive inventory of corporate sustainability impacts which significantly (and possibly absolutely) overlaps with that of a broader stakeholder pool.

To adequately capture the full gamut of investor information needs, the standards require both a definition of materiality that is comprehensive enough to capture the genuine information needs of all segments of the investment community – i.e. which explicitly considers long-term impacts. In addition, the identification of material issues should include procedural obligations, such as the GRI requirement to regularly and rigorously engage with stakeholders. In other words, stakeholder engagement to ascertain what constitutes material sustainability issues should be required by the standards even if the target users of sustainability reports are restricted to investors.

The standards should also require disclosure of other sustainability information an entity current reports and where this information can be accessed

Sustainability standards might usefully be considered as forming part of a network of sustainability information provided by an entity. An important role of these standards could therefore include alerting users as to where other reporting 'nodes' are situated. While an economic entity may be a relevant unit of analysis for the allocation of some types of capital by some types of actors, other boundaries are often more relevant from sustainability perspective. Consequently, corporations are routinely required to provide sustainability information at levels other than that of the economic entity. For example, in most jurisdictions around the world corporations are required to report pollution information at the level of the facility, i.e. a particular factory operating in a particular geographic location. Similarly, reporting obligations imposed as part of governments granting licences for activities such as establishing a new mine are routinely at the level of that particular activity – i.e. the specific mine. Further, even information that is required to be provided at the level of an economic entity – such as the reporting of corporate political donations to electoral authorities – can be disclosed by government entities in databases that facilitate the comparison between corporations in ways that standalone entity-level sustainability reports do not. Yet while such information is publicly available it is rarely mentioned in corporate sustainability reports and may consequently be overlooked by report users. This problem could be addressed by including a simple requirement for corporations to disclose the sustainability information they provide in order to meet other reporting obligations and where this information can be found.

Inclusion of greater levels of technical expertise in the standard-setting process

From the (admittedly brief) biographies of the ISSB members, it seems that the credentials of most members are predominantly involvement with other sustainability accounting initiatives and/or investment industry roles. Whilst such experience is clearly valuable, this should be supplemented with genuine subject matter expertise in core areas of sustainability such as climate change, water, biodiversity, human rights etc. Just as accountants would bristle at NASA physicists developing their own way to report the financial impact of the James Webb telescope, or a self-selected contingent of doctors deciding how the financial performance of the health system should be reported, it would be breathtakingly arrogant to assume that the accounting community has the full complement of skills necessary to develop sustainability accounting standards. At the very least, the membership of the Sustainability Standards Advisory Forum should comprise subject matter experts. Going forward, future appointments to the ISSB should prioritise members of the scientific community until there is an appropriate balance between subject matter experts and accountants.

Yours Sincerely,

Dr. James Hazelton
Associate Professor
Department of Accounting and Corporate Governance
Macquarie University, Sydney, Australia

About you

AY-1. Please provide your full name and email address:

First name:	Janelle
Last name:	Burston
Email:	

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Individual

Question 1—Overall approach

The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

01-AP. (a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

- Broadly Agree

01-AR. Please explain your answer:

Thank you for inviting comments on the ISSB's recently published Exposure Draft IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and Exposure Draft IFRS S2 (Climate-related Disclosures), the Exposure Drafts. Investors and other stakeholders supports the disclosure of robust, comparable and decision useful information as part of the urgent response needed to mitigate climate, and other environmental and social risks.

In seeking to support the emergence of widely-adopted and consistent standards and by drawing upon some of the existing reporting frameworks, the Exposure Drafts represent a helpful contribution, and we welcome further consultation as these standards are developed.

Any non-financial or ESG-related disclosure standards should be underpinned by the following considerations:

1) Provide a principles-based framework for the structure and minimum reporting requirements of this regime.

2) Align with relevant existing reporting standards to promote harmonization and convergence, to the greatest extent possible.

3) Align with financial reporting concepts to ensure the entity boundaries for both financial and climate (or other environmental or social reporting) adheres to the same definitions

4) Consider the nature of materiality and recognize that climate, environmental and other social risks and opportunities vary across industries. The assessment of risks and opportunities should occur as a first step, with the overlay of materiality to investors added second.

5) Have sufficiently clear guidelines that enable preparers to report in a transparent, consistent and comparable manner. Linking to existing reporting regimes will help limit the need for extensive footnotes and supplemental disclosures and ensure verifiability.

6) Recognize that the understanding and reporting of the less advanced environmental and social factors and the immature nature of the reporting systems and processes that underpin these sustainability-related items prove a challenge for all entities. In the absence of clear reporting methodologies and guidance these areas are not able to meet the same level of assurance as climate-related reporting.

7) Address the broad set of environmental, social and economic issues that materially impact decision making, starting with climate and then moving promptly to other topics.

In summary, we believe that S1, as a framework setting standard, could be better focussed on establishing broad principles against which other standards are prepared against, rather than setting the detailed rules in itself.

Furthermore, in relation to S2, we have some concern that the magnitude of the requirements limits the ability for assurance to be provided on full compliance. In this respect, other international alternate approaches could link the proposed climate standard to current carbon and energy reporting regimes, for example the GHG Protocol Standards which would allow for comparable and verifiable reporting.

Our consultation process and subsequent assessment of the requirements of the proposed standards is referenced against the request of the Financial Stability Board (FSB) to incorporate the Taskforce on Climate-related Financial Disclosures (TCFD) into the annual filings of entities and to create a climate-related financial standard that can then be used as the foundation for other ESG reporting. We have also referenced to feedback we have received from our own stakeholders, investors and shareholders, regarding what they would like included in the financial filings based on its usefulness in capital allocation decisions.

The feedback from the report preparers is a chorus in support of the need for the adoption of a consistent set of climate standards that allows them to report information once to fulfil different stakeholder needs. Once this requirement has been met expansion of the reporting requirements to other social and environmental areas will then need to occur.

We welcome the ISSB's consultation on the Exposure Drafts for the IFRS sustainability disclosure standards as an important step to meeting these different needs, in particular where there are clear links to financial reporting. The ISSB and the IFRS Foundation are well placed to build upon existing expertise in developing robust, reliable, and independent global standards, and to ensure that any new climate, environment, social or sustainability-related disclosures connect and integrate with existing IFRS standards.

01-BP. (b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

- Broadly Agree

01-BR. Please explain your answer:

N/A

01-CP. (c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 *Climate-related Disclosures*? Why or why not? If not, what aspects of the proposals are unclear?

- Broadly Disagree

01-CR. Please explain your answer:

N/A

01-DP. (d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

- Broadly Disagree

01-DR. Please explain your answer:

Investors and other stakeholders require disclosures to be comparable to allow informed decision making. Reporting entities require clear guidance to prepare such disclosures, particularly regarding applying consistent definitions, assessing enterprise value, using estimates and disclosing assumptions, while also avoiding the need for lengthy notes on data limitations. For example, of concern is the misalignment between the reporting entity concept (analogous to the Scope 1 and 2 “Operational Control test”) and the ESG reporting boundaries that extend to the full supply chain (eg. Scope 3).

Regulators proposing assurance requirements on sustainability disclosures require clear guidance that will facilitate assurance. As noted above, in the climate-related financial reporting area this standard is already defined by the TCFD and GHG Protocol, (in the Australian context also linking to the domestic compliance regime) and allows for immediate inclusion of assurance criteria as this reporting regime already meets the reasonable assurance level. This assurance criteria would link directly via the inclusion of these reporting regimes as Appendix B, instead of the SASB standards.

Currently key terms are not well-defined and left open to interpretation, hence preparers and users may apply different judgments to the meaning of the disclosures, impacting comparability and usability. For example, the Exposure Drafts require an entity to disclose material information about all significant sustainability-related risks and opportunities. It would be beneficial to clarify whether the terms “material” and “significant” have different meanings, or whether instead they are used interchangeably. Other key terms requiring clearer definitions and guidance are “sustainability”, “enterprise value” and what information is considered useful or relevant to assess enterprise value (in particular, with regards to paragraph 6(c)).

We observe that there are several challenges to ensuring the comparability and verifiability of sustainability-related information including differences in the underlying methodologies applied, limited disclosures on estimates and assumptions, and preparers applying their own interpretation of the guidance. Also, we note that the Exposure Drafts do not prescribe specific methodologies, which could lead to a variety of methods and assumptions being adopted. While we appreciate the flexibility in approaches, ensuring consistency over time would be key as the standards are subsequently updated. A particular area of concern relates to Scope 3 emissions, which require assumptions, estimations, and proxies as well as input from a variety of internal and external sources.

Another area of concern is the set of provisions under paragraph 54 which refer to the possibility of using metrics associated with disclosure topics from other standard-setting bodies, in the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity. This openness results in significant challenges in relation to adoption, comparability and verifiability of disclosures.

The ISSB should work closely with the IAASB, as the globally recognized assurance standard setter, to ensure that its standards constitute suitable criteria for assurance purposes.

Question 2—Objective (paragraphs 1–7)

The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity’s enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity’s risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity’s financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity’s governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity’s development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity’s enterprise value.

02-AP. (a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

- Other

02-AR. Please explain your answer:

Currently key terms are not well-defined and left open to interpretation, hence preparers and users may apply different judgments to the meaning of the disclosures, impacting comparability and usability. For example, the Exposure Drafts require an entity to disclose material information about all significant sustainability-related risks and opportunities. It would be beneficial to clarify whether the terms “material” and “significant” have different meanings, or whether instead they are used interchangeably. Other key terms requiring clearer definitions and guidance are “sustainability”, “enterprise value” and what information is considered useful or relevant to assess enterprise value (in particular, with regards to paragraph 6(c)).

02-BP. (b) Is the definition of ‘sustainability-related financial information’ clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

- Other

02-BR. Please explain your answer:

We observe that there are several challenges to ensuring the comparability and verifiability of sustainability-related information including differences in the underlying methodologies applied, limited disclosures on estimates and assumptions, and preparers applying their own interpretation of the guidance. Also, we note that the Exposure Drafts do not prescribe specific methodologies, which could lead to a variety of methods and assumptions being adopted. While we appreciate the flexibility in approaches, ensuring consistency over time would be key as the standards are subsequently updated. A particular area of concern relates to Scope 3 emissions, which require assumptions, estimations, and proxies as well as input from a variety of internal and external sources.

Another area of concern is the set of provisions under paragraph 54 which refer to the possibility of using metrics associated with disclosure topics from other standard-setting bodies, in the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity. This openness results in significant challenges in relation to adoption, comparability and verifiability of disclosures.

Question 3—Scope (paragraphs 8–10)

Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users’ assessments of the entity’s enterprise value are outside the scope of sustainability-related financial disclosures.

The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction’s GAAP (so with IFRS Accounting Standards or other GAAP).

03-AP. Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction’s GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

- Broadly Disagree

03-AR. Please explain your answer:

Entity boundary between financial reporting and ESG reporting does not align. Reporting entity boundary versus whole of value chain. Doesnt align with any GAAP.

There is an urgent need for a global set of internationally recognized climate, environment, social and sustainability disclosure standards. There is already a small number of globally recognized standard setters and framework providers, such as TCFD, GRI, SASB and IIRC, whose standards are adopted in varying degrees by companies, investors, regulators and other stakeholders. We believe global CESG disclosure standards should build upon the work of these existing bodies, enabling continued convergence and promoting widespread global adoption. As noted by the FSB the TCFD framework is the only one of the above frameworks to receive widespread, rapid acceptance by the capital markets sector, hence the FSB request to use this framework first.

We support the ISSB's alignment to a number of existing standards and frameworks as evidenced by the Exposure Drafts. We encourage the ISSB to continue to promote consolidation and harmonization with existing standards. We believe the ISSB is well suited to establish a comprehensive baseline that can enhance compatibility and interoperability to deliver a global disclosure system. However, this requires the ISSB to undertake additional technical work with other standard setters to align definitions and achieve consistency, particularly in relation to the diverging applications of materiality. As noted above the G100 has concerns regarding the identification of significant sustainability risks and opportunities in the standard, our view is that you assess the risks and opportunities, then identify material disclosures for investors.

It will also require the ISSB to think about practical mechanisms to maintain consistency into the future, including as additional sustainability-related topics are addressed. The ISSB's working group to enhance compatibility between its global baseline and jurisdictional initiatives is an initial step in this direction, but more focus is required.

Question 4—Core content (paragraphs 11–35)

The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well established work of the TCFD.

Governance

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be:

> to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be:

> to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.

Risk management

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

> to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.

Metrics and targets

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

> to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.

04-AP. (a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

- Broadly Agree

04-AR. Please explain your answer:
N/A

04-BP. (b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

- Other

04-BR. Please explain your answer:
Preparers today are developing the systems and processes required to provide relevant, transparent ESG disclosures in an effective and efficient way. This includes efforts to improve data quality and to align the robustness of ESG-related financial reporting with that used for traditional financial reporting. Clarity in the linkage to guidance, as discussed above, will support these efforts. However, it will also take time for reporting entities to implement the required systems and to upskill teams to be able to respond in an effective manner. Additionally, it is essential to note that there is inherent uncertainty in sustainability-related disclosures which will not change over time. This includes the underlying completeness and accuracy of data points such as modern slavery and ethical sourcing data and definitions, Scope 3 emissions measurement, challenges to assess completeness for environmental spills, the context-specific nature of social capital disclosures, and the nascent nature-based reporting.
We recommend that the ISSB recognizes the evolving nature of the reporting systems and processes that facilitate ESG-related financial reporting. As these systems further develop, preparers will be able to provide such disclosures in a more complete and timely manner. In the interim, we recommend the ISSB emphasize decision-useful information
In light of the data challenge, we recommend the following:
- Start with the remit being climate first. Establish a C1 standard of principles.
- Require disclosures on the governance processes, controls and procedures with regards to CESG-related risks and opportunities
- Considering phasing in some of the most challenging requirements over a number of reporting cycles as the ESG reporting standards evolve, we recommend the ISSB recognize that the data quality underlying such reporting (excluding Scope 1 and 2) will improve over time and consider this evolution in the development of the standards.
- Maintaining the proposed requirements around comparative information (not required on year of adoption),
Ultimately, disclosures are intended to support climate action. The focus should therefore be maintained on decision useful information, which in some cases does not require 'perfect' data. If disclosure requirements act as a barrier to setting ambitious targets and the allocation of capital towards sustainable outcomes, they are likely to be counterproductive. Enabling organizations to report in a transparent way despite quality constraints will be essential.

Question 5—Reporting entity (paragraphs 37–41)
The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

05-AP. (a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

- Broadly Disagree

05-AR. Please explain your answer:

Preparers today are developing the systems and processes required to provide relevant, transparent ESG disclosures in an effective and efficient way. This includes efforts to improve data quality and to align the robustness of ESG-related financial reporting with that used for traditional financial reporting. Clarity in the linkage to guidance, as discussed above, will support these efforts. However, it will also take time for reporting entities to implement the required systems and to upskill teams to be able to respond in an effective manner. Additionally, it is essential to note that there is inherent uncertainty in sustainability-related disclosures which will not change over time. This includes the underlying completeness and accuracy of data points such as modern slavery and ethical sourcing data and definitions, Scope 3 emissions measurement, challenges to assess completeness for environmental spills, the context-specific nature of social capital disclosures, and the nascent nature-based reporting.

We recommend that the ISSB recognizes the evolving nature of the reporting systems and processes that facilitate ESG-related financial reporting. As these systems further develop, preparers will be able to provide such disclosures in a more complete and timely manner. In the interim, we recommend the ISSB emphasize decision-useful information

In light of the data challenge, we recommend the following:

- Start with the remit being climate first. Establish a C1 standard of principles.
- Require disclosures on the governance processes, controls and procedures with regards to CESG-related risks and opportunities
- Considering phasing in some of the most challenging requirements over a number of reporting cycles as the ESG reporting standards evolve, we recommend the ISSB recognize that the data quality underlying such reporting (excluding Scope 1 and 2) will improve over time and consider this evolution in the development of the standards.
- Maintaining the proposed requirements around comparative information (not required on year of adoption),

Ultimately, disclosures are intended to support climate action. The focus should therefore be maintained on decision useful information, which in some cases does not require ‘perfect’ data. If disclosure requirements act as a barrier to setting ambitious targets and the allocation of capital towards sustainable outcomes, they are likely to be counterproductive. Enabling organizations to report in a transparent way despite quality constraints will be essential.

05-BP. (b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

- Broadly Disagree

05-BR. Please explain your answer:

N/A

05-CP. (c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

N/A

05-CR. Please explain your answer:

There is an urgent need for a global set of internationally recognized climate, environment, social and sustainability disclosure standards. There is already a small number of globally recognized standard setters and framework providers, such as TCFD, GRI, SASB and IIRC, whose standards are adopted in varying degrees by companies, investors, regulators and other stakeholders. We believe global CESG disclosure standards should build upon the work of these existing bodies, enabling continued convergence and promoting widespread global adoption. As noted by the FSB the TCFD framework is the only one of the above frameworks to receive widespread, rapid acceptance by the capital markets sector, hence the FSB request to use this framework first.

We support the ISSB’s alignment to a number of existing standards and frameworks as evidenced by the Exposure Drafts. We encourage the ISSB to continue to promote consolidation and harmonization with existing standards. We believe the ISSB is well suited to establish a comprehensive baseline that can enhance compatibility and interoperability to deliver a global disclosure system. However, this requires the ISSB to undertake additional technical work with other standard setters to align definitions and achieve consistency, particularly in relation to the diverging applications of materiality. As noted above the G100 has concerns regarding the identification of significant sustainability risks and opportunities in the standard, our view is that you assess the risks and opportunities, then identify material disclosures for investors.

It will also require the ISSB to think about practical mechanisms to maintain consistency into the future, including as additional sustainability-related topics are addressed. The ISSB’s working group to enhance compatibility between its global baseline and jurisdictional initiatives is an initial step in this direction, but more focus is required.

Question 6—Connected information (paragraphs 42–44)
The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) between the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

06-AP. (a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

- Broadly Disagree

06-AR. Please explain your answer:

The environmental, social and economic issues covered by sustainability disclosure standards frequently have implications for financial reporting. For example, sustainability factors may impair goodwill, reduce the value and useful life of an asset or have implications for an entity's inventory balances.
We welcome the recognition by the ISSB of the need for reporting entities to assess and disclose the connectivity between traditional financial reporting and ESG-related financial reporting. However, we note that there are limited details on when this would be required and how it would be done, in particular with regards to the disclosure of quantitative information (eg potential financial impacts of climate-related risks).
The include a requirement to detail "connection" between sustainability-related reporting and other information including:
- Financial statements - to describe how significant sustainability-related risks and opportunities impact financial statements over time;
- Business model and value chain - to describe the strategies responding to significant sustainability-related risks and opportunities including how they impact the business model and value chain;
- Strategy and cash flows - to include an analysis of the resilience of strategy and cash flows to significant sustainability-related risks and opportunities; and
- Other sustainability-related information - to explain the connection between various sustainability related risks and opportunities.

In our judgement, reporting of "connection" in this way will be incredibly difficult to achieve. For four main reasons, we ask that these elements be excluded from the Exposure Drafts:
1. the proposed reporting of "connection" is extremely complex and therefore both incapable of credible assurance and likely to be so extensively qualified that it would be of no value to users of sustainability reporting. This is, in part, because it would necessitate extensive, multi-dimensional scenario analysis on a potentially wide range of issues. For instance, on each material sustainability-related issue, the analysis would need to consider a range of sustainability outcomes (eg very strong through weak waste diversion from landfill performance), and for each of those outcomes, the analysis would imply a wide range of financial implications for each financial statement. Especially in the early years of the adoption, it is unrealistic to expect this kind of highly sophisticated analysis for reporting purposes, and even if it were done, it is unlikely that the output would help with an assessment as to whether to provide resources to that entity. Instead, this kind of analysis is best done by users of sustainability reporting - drawing upon metrics reported and their own views around strategy and future scenarios.
2. references to "connection" include forward looking dimensions which (in addition to the complexity noted above) would introduce significant new risk for reporting entities. Generally, on account of heightened risk, most reporting entities are reluctant to report forecasts. Including forecasts in the Exposure Drafts will likely prompt extensive opposition among reporting entities and introduce new risks (like, for instance, class action risks).
3. there is no precedent for reporting "connection" in the TCFD framework. The TCFD framework encourages reporting entities to undertake scenario analysis, but not to extend the analysis (for reporting purposes) to financial statements, business model, value chain, strategy, and other sustainability issues. To the extent it is of interest, this is left to the users of reporting.
4. there is no similar reporting of "connection" in the IASB standards. For instance, reporting entities are not required to explain the connection between commercial, strategic, or financial issues and the financial statements over time.

06-BP. (b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

- Broadly Disagree

06-BR. Please explain your answer:

N/A

Question 7—Fair presentation (paragraphs 45–55)
The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

07-AP. (a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

- Other

07-AR. Please explain your answer:

N/A

07-BP. (b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

- Broadly Disagree

07-BR. Please explain your answer:

Investors and other stakeholders require disclosures to be comparable to allow informed decision making. Reporting entities require clear guidance to prepare such disclosures, particularly regarding applying consistent definitions, assessing enterprise value, using estimates and disclosing assumptions, while also avoiding the need for lengthy notes on data limitations. For example, of concern is the misalignment between the reporting entity concept (analogous to the Scope 1 and 2 “Operational Control test”) and the ESG reporting boundaries that extend to the full supply chain (eg. Scope 3).

Regulators proposing assurance requirements on sustainability disclosures require clear guidance that will facilitate assurance. As noted above, in the climate-related financial reporting area this standard is already defined by the TCFD and GHG Protocol, (in the Australian context also linking to the domestic compliance regime) and allows for immediate inclusion of assurance criteria as this reporting regime already meets the reasonable assurance level. This assurance criteria would link directly via the inclusion of these reporting regimes as Appendix B, instead of the SASB standards.

Currently key terms are not well-defined and left open to interpretation, hence preparers and users may apply different judgments to the meaning of the disclosures, impacting comparability and usability. For example, the Exposure Drafts require an entity to disclose material information about all significant sustainability-related risks and opportunities. It would be beneficial to clarify whether the terms “material” and “significant” have different meanings, or whether instead they are used interchangeably. Other key terms requiring clearer definitions and guidance are “sustainability”, “enterprise value” and what information is considered useful or relevant to assess enterprise value (in particular, with regards to paragraph 6(c)).

We observe that there are several challenges to ensuring the comparability and verifiability of sustainability-related information including differences in the underlying methodologies applied, limited disclosures on estimates and assumptions, and preparers applying their own interpretation of the guidance. Also, we note that the Exposure Drafts do not prescribe specific methodologies, which could lead to a variety of methods and assumptions being adopted. While we appreciate the flexibility in approaches, ensuring consistency over time would be key as the standards are subsequently updated. A particular area of concern relates to Scope 3 emissions, which require assumptions, estimations, and proxies as well as input from a variety of internal and external sources.

Another area of concern is the set of provisions under paragraph 54 which refer to the possibility of using metrics associated with disclosure topics from other standard-setting bodies, in the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk or opportunity. This openness results in significant challenges in relation to adoption, comparability and verifiability of disclosures.

The ISSB should work closely with the IAASB, as the globally recognized assurance standard setter, to ensure that its standards constitute suitable criteria for assurance purposes.

Question 8—Materiality (paragraphs 56–62)

The Exposure Draft defines material information in alignment with the definition in IASB’s *Conceptual Framework for General Purpose Financial Reporting* and IAS 1. Information ‘is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity’.

However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users’ information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

08-AP. (a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

- Broadly Disagree

08-AR. Please explain your answer:

N/A

08-BP. (b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

- Other

08-BR. Please explain your answer:

The ISSB has decided to focus on enterprise value to assess the materiality of sustainability-related risks and opportunities. Our experience with sustainability disclosure finds that materiality is dynamic, with sustainability-related risks and opportunities moving across the materiality spectrum. As a result, under the ISSB's definition, preparers may find themselves 'guessing' primary users' expectations on what constitutes enterprise value.
Our experience has found that the materiality of ESG-related risks and opportunities can vary based on an organization's business model, industry and geography. Careful consideration should be given to sector and geographical sustainability issues as standards are developed. It is important that the nuances and detail are addressed. We support the disclosure of industry-specific reporting requirements and a common global baseline; however, we are concerned with the volume and usefulness of SASB industry metrics within S2 and consider this could be prohibitive to adoption within jurisdictions, particularly as more domestic compliance standards are developed. Further, the choice of metrics for industries currently reflects the US market and are largely unchanged from the existing SASB standards, as a result they have minimal international relevance and consideration should be given to removing entirely or for industry metrics to be encouraged but not specified. Alternatively, the appendix B should link requirements to an established regime such as the GHG Protocol which has already been materially adopted domestically in many jurisdictions (as a result of country level reporting requirements under the Paris Agreement).

08-CP. (c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

N/A

08-CR. Please explain your answer:

Currently key terms are not well-defined and left open to interpretation, hence preparers and users may apply different judgments to the meaning of the disclosures, impacting comparability and usability. For example, the Exposure Drafts require an entity to disclose material information about all significant sustainability-related risks and opportunities. It would be beneficial to clarify whether the terms "material" and "significant" have different meanings, or whether instead they are used interchangeably. Other key terms requiring clearer definitions and guidance are "sustainability", "enterprise value" and what information is considered useful or relevant to assess enterprise value (in particular, with regards to paragraph 6(c)).

08-DP. (d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

N/A

08-DR. Please explain your answer:

N/A

Question 9—Frequency of reporting (paragraphs 66–71)

The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.

09-AP. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

- Other

09-AR. Please explain your answer:

Given the urgency of the climate crisis, as well as significant investor demand for climate-related disclosures, we welcome the Exposure Draft IFRS S2 on climate-related disclosures. We also support the inclusion of disclosure for Scope 1, 2, emissions including reasonable assurance based on the GHG Protocol as this is consistent with current disclosure practices and reflective of the approach needed for preparers and users to comprehensively understand climate-related risks and opportunities. We also support the inclusion of Scope 3 emissions however as noted above these may not meet the same assurance levels due to their estimated nature.

We note that other pressing environmental and social risks are closely integrated with climate and a focus on climate only will not provide the complete ESG reporting standards needed by investors and other stakeholders. Recognising that it will take some time for the standards to be implemented and for reporting to mature, we encourage the ISSB to move forward with other ESG disclosure standards in the near future after the framework and principles are finalised, leveraging the volumes of ESG disclosure standards used on a voluntary basis today and working in close cooperation with other standard setters to achieve consistency and alignment.

Question 10—Location of information (paragraphs 72–78)

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

010-AP. (a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

- Other

010-AR. Please explain your answer:

Environmental and financial reporting timelines dont necessarily align making it challenging to meet financial timelines with ESG data

010-BP. (b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

- Other

010-BR. Please explain your answer:

N/A

010-CP. (c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is crossreferenced? Why or why not?

- Broadly Disagree

010-CR. Please explain your answer:
ESG data often not available until later

010-DP. (d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

- Broadly Disagree

010-DR. Please explain your answer:
N/A

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

011-AP. (a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

- Broadly Disagree

011-AR. Please explain your answer:
Preparers today are developing the systems and processes required to provide relevant, transparent ESG disclosures in an effective and efficient way. This includes efforts to improve data quality and to align the robustness of ESG-related financial reporting with that used for traditional financial reporting. Clarity in the linkage to guidance, as discussed above, will support these efforts. However, it will also take time for reporting entities to implement the required systems and to upskill teams to be able to respond in an effective manner. Additionally, it is essential to note that there is inherent uncertainty in sustainability-related disclosures which will not change over time. This includes the underlying completeness and accuracy of data points such as modern slavery and ethical sourcing data and definitions, Scope 3 emissions measurement, challenges to assess completeness for environmental spills, the context-specific nature of social capital disclosures, and the nascent nature-based reporting.
We recommend that the ISSB recognizes the evolving nature of the reporting systems and processes that facilitate ESG-related financial reporting. As these systems further develop, preparers will be able to provide such disclosures in a more complete and timely manner. In the interim, we recommend the ISSB emphasize decision-useful information
In light of the data challenge, we recommend the following:
- Start with the remit being climate first. Establish a C1 standard of principles.
- Require disclosures on the governance processes, controls and procedures with regards to CESG-related risks and opportunities
- Considering phasing in some of the most challenging requirements over a number of reporting cycles as the ESG reporting standards evolve, we recommend the ISSB recognize that the data quality underlying such reporting (excluding Scope 1 and 2) will improve over time and consider this evolution in the development of the standards.
- Maintaining the proposed requirements around comparative information (not required on year of adoption),
Ultimately, disclosures are intended to support climate action. The focus should therefore be maintained on decision useful information, which in some cases does not require 'perfect' data. If disclosure requirements act as a barrier to setting ambitious targets and the allocation of capital towards sustainable outcomes, they are likely to be counterproductive. Enabling organizations to report in a transparent way despite quality constraints will be essential.

011-BP. (b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

- Other

011-BR. Please explain your answer:
N/A

011-CP. (c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

- Other

011-CR. Please explain your answer:
N/A

Question 12—Statement of compliance (paragraphs 91–92)
The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

012-AP. Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

- Broadly Agree

012-AR. Please explain your answer:
N/A

Question 13—Effective date (Appendix B)
The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

013-AR. (a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

Given the urgency of the climate crisis, as well as significant investor demand for climate-related disclosures, we welcome the Exposure Draft IFRS S2 on climate-related disclosures. We also support the inclusion of disclosure for Scope 1, 2, emissions including reasonable assurance based on the GHG Protocol as this is consistent with current disclosure practices and reflective of the approach needed for preparers and users to comprehensively understand climate-related risks and opportunities. We also support the inclusion of Scope 3 emissions however as noted above these may not meet the same assurance levels due to their estimated nature.
We note that other pressing environmental and social risks are closely integrated with climate and a focus on climate only will not provide the complete ESG reporting standards needed by investors and other stakeholders. Recognising that it will take some time for the standards to be implemented and for reporting to mature, we encourage the ISSB to move forward with other ESG disclosure standards in the near future after the framework and principles are finalised, leveraging the volumes of ESG disclosure standards used on a voluntary basis today and working in close cooperation with other standard setters to achieve consistency and alignment.

013-AP. (b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

- Broadly Agree

013-AR. Please explain your answer:
N/A

Question 14—Global baseline
IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

014-AP. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

- Yes

014-AR. Please explain your answer:

There is an urgent need for a global set of internationally recognized climate, environment, social and sustainability disclosure standards. There is already a small number of globally recognized standard setters and framework providers, such as TCFD, GRI, SASB and IIRC, whose standards are adopted in varying degrees by companies, investors, regulators and other stakeholders. We believe global CESG disclosure standards should build upon the work of these existing bodies, enabling continued convergence and promoting widespread global adoption. As noted by the FSB the TCFD framework is the only one of the above frameworks to receive widespread, rapid acceptance by the capital markets sector, hence the FSB request to use this framework first.

We support the ISSB's alignment to a number of existing standards and frameworks as evidenced by the Exposure Drafts. We encourage the ISSB to continue to promote consolidation and harmonization with existing standards. We believe the ISSB is well suited to establish a comprehensive baseline that can enhance compatibility and interoperability to deliver a global disclosure system. However, this requires the ISSB to undertake additional technical work with other standard setters to align definitions and achieve consistency, particularly in relation to the diverging applications of materiality. As noted above the G100 has concerns regarding the identification of significant sustainability risks and opportunities in the standard, our view is that you assess the risks and opportunities, then identify material disclosures for investors.

It will also require the ISSB to think about practical mechanisms to maintain consistency into the future, including as additional sustainability-related topics are addressed. The ISSB's working group to enhance compatibility between its global baseline and jurisdictional initiatives is an initial step in this direction, but more focus is required.

Question 15—Digital reporting
The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 *Climate-related Disclosures* Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

015-AR. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

N/A

Question 16—Costs, benefits and likely effects
The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

016-AR. (a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

cost of compliance will be substantial due to the resourcing required to implement and maintain Costs and resourcing focussed on volumes of reporting will create a substantial additional burden on enterprise reducing resourcing available for abatement projects.

GR16B. (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

substantial ongoing costs of compliance for enterprise

Question 17—Other comments

017-AR. Do you have any other comments on the proposals set out in the Exposure Draft?

The draft proposed IFRS sustainability disclosure standards represent an important step forward towards ensuring that investors and other organizations have the information needed to address significant ESG-related risks and opportunities. There will, however, likely still be regional variation in reporting requirements, as well as demands from investors and other stakeholders for additional disclosure, addressing an organization's broader impact. Companies will also continue to receive reporting requests from the growing set of ESG ratings and indices. Agility and regular stakeholder engagement with a wide set of individuals and organizations will be key for the ISSB to ensure their standards deliver on user needs and remain relevant.

Jo Cain
Executive Director
Materiality Counts
Melbourne
Australia

Erkki Liikanen
Chair
IFRS Foundation
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London E14 4HD
United Kingdom

27 June 2022

Dear Erkki,

Comment Letter on
IFRS S1 Sustainability-related Financial Information Prototype
IFRS S2 Climate Related Disclosures Prototype

Context

I commend the work of the IFRS Foundation and the establishment of the ISSB and provide these comments based on 30+ years' experience in sustainability reporting. As Executive Director of Materiality Counts, I am a recognised expert in materiality, stakeholder engagement, strategy, sustainability and integrated reporting. Working across many sectors in Australia, New Zealand and further afield, I have produced multiple award-winning Reports. My sustainability reporting expertise has been recognised via appointment to many expert advisory panels:

- International Audit and Assurance Standards Board (IAASB) Sustainability Reporting Reference Group.
- Australian Accounting Standards Board (AASB)/Auditing and Assurance Standards Board (AUASB) Sustainability Reporting Project Advisory Panel.
- IAASB Extended External Reporting (EER) Assurance Project Advisory Panel.
- International Integrated Reporting Council (IIRC) Technical Advisory Group.

My comments are strategic in nature. I provide more detailed contribution through my membership of the above panels.

Question 1 – Overall approach & Question 3 - Scope

Application: To existing types of non-financial reporting

There is widespread confusion amongst reporting entities regarding the broad implications of these new reporting standards. Many assume that a new type of reporting will be required, expressing concerns that they are only now becoming mature in their non-financial reporting through Sustainability Reports, Integrated Reports, Strategic Reports in the UK and more. Hence, a statement of purpose is needed to make it clear to reporters that these new standards are intended to be applied to any form of non-financial reporting, not specifically to "Sustainability Reports" and certainly not requiring entities to produce Sustainability Reports where that is not currently their strategic approach to reporting.

Question 2 – Objective

Connectivity: Between sustainability reporting and financial reporting

The title of IFRS S1 is problematic. Sustainability disclosures are not all financial. Many are, but sustainability is multi-faceted across the six capitals, not just financial capital. A standard on sustainability disclosures needs to be grounded in materiality and encompass human, intellectual, social and relationship, manufactured and natural capital, as well as traditional financial capital. Whilst it is widely accepted that value relating to social licence to operate ultimately influences reputation and share price for listed entities, i.e. financial, sustainability-related information is much broader than financial. Hence, reconsideration of the title and therefore scope of this standard is encouraged.

Question 4 – Core content & Question 6 – Connected information

SDGs: Integration with the SDGs

One of the barriers to achieving a groundswell of consistent sustainability reporting in recent decades has been indicator fatigue. The sheer volume of sustainability indicators spread across geographies has been overwhelming. Investors cannot compare the performance of one entity to another with such a wide range of different indicators used to report sustainability performance. Capital markets cannot compare “apples with apples” when sustainability reporting from one Report to another vary with such magnitude. Two things hold the key to addressing this. One is materiality determination such that the reporting entity reports on the issues of most importance to key stakeholders and the organisation itself, alongside the most relevant performance indicators.

The second is the United Nations Sustainable Development Goals (UN SDGs) and the targets beneath the goals. The SDGs presents a real and present opportunity for global consistency and their integration with IFRS S1 and S2 is encouraged. Naturally, the Global Reporting Initiative (GRI) provides a well-established source of potential indicators across sustainability. Specific climate change and greenhouse gas (GHG) emission protocols also exist on a global and jurisdictional scale. These sources of indicators will prove useful and hopefully reduce some “reinventing of the wheel”. However, it is the UN SDGs that provide a globally aligned and universally acknowledged foundation for this work on sustainability and climate-related disclosures.

Question 5 – Reporting entity

Value chain: Consistent understanding and boundaries

Financial value versus enterprise value would benefit from explanation, alongside clarity on what makes up the value chain, what needs to be included and the boundaries.

Question 7 – Fair presentation

Assurance: Reporting and assurance must go hand-in-hand

Capital market confidence in reporting depends on the credibility of these Reports. Investors look to Report assurance for independent credibility and strength of governance and internal controls for organisational credibility. When developing reporting standards, it goes without saying that assurance standards must align and be fit-for-purpose. This is raised not because there is a gap or effort has not commenced in this space, rather to highlight it as a top agenda item as these reporting standards are progressed.

Question 8 - Materiality

Materiality: Definition and guidance

Materiality is the foundation for strategy and reporting. Ultimately, those issues that are most important to a reporting entity's key stakeholders and to the organisation itself should form the basis of its strategy and reporting. "Most important" relates to the value the organisation creates (preserves or erodes) across the six capitals and minimising any negative impact. Materiality includes financial and non-financial issues. Materiality needs to be demystified to allow all reporters and Report users to use it as a foundation to ensure that Reports cover the most important information. Use of terms such as "double materiality" and "significant" make it less accessible. Clarity of connectivity to risk and establishing wider understanding that risk informs materiality will also help to remove some of the "smoke and mirrors" that have taken root in this space. It doesn't need to be complex, on the contrary, it needs to be clear and consistent. Integration of financial and non-financial materiality is needed. I have significant expertise and experience in materiality and I would be pleased to assist further.

Question 17 – Other comments

Director concerns: Future looking statements

In some jurisdictions, such as Australia, Directors express concerns regarding the inclusion of future-looking statements in Annual Reports. This has come to the fore with respect to non-financial reporting, such as Integrated Reports. The driver is a lack of "safe harbour" legislation to protect Directors from liability relating to such statements. This concern is raised for consideration with respect to forward oriented sustainability reporting.

I trust that these comments are useful at a strategic level and reiterate my offer to assist specifically on materiality, in which I have substantial expertise and experience to share.

Thank you for the opportunity to comment on these important, and long overdue, reporting standards and thank you to IFRS for taking a lead in such a critical area.

Yours sincerely,

Jo Cain
Executive Director
Materiality Counts
Melbourne, Australia
Email: jo.cain@materialitycounts.com

Governance Roles:
Banksia Foundation Audit and Risk Committee (Chair)
International Auditing and Assurance Standards Board (IAASB) Sustainability Reporting Reference Group
Australian Accounting Standards Board (AASB)/Auditing and Assurance Standards Board (AUASB) Sustainability Reporting Project Advisory Panel

To:
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28 July 2022

Re: Consultation on Exposure Draft for Disclosure of Sustainability-related Financial Information

I welcome the opportunity to provide feedback to the International Sustainability Standards Board (ISSB) on the Exposure Draft on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information ([Draft] IFRS S1) and Exposure Draft IFRS S2 Climate-related Disclosures ([Draft] IFRS S2).

The views expressed in this submission are my own.

General comments

The development of standards for sustainability-related financial disclosures at a global level are urgently need. Aligning of concepts, terminology and metrics for sustainability reporting is needed for enterprises in all countries. Without this the users of sustainability reporting will continue to be confusion and there is the potential for the misunderstanding or misuse of information (or lack of information).

The ISSB is a suitable global body for developing sustainability disclosure standards at a global level. However, the expertise of the Board and the Technical Readiness Working Group needs to be extended in order to develop acceptable standards and in particular the concepts and metrics reported on within the standards.

The expertise needed to determine appropriate concepts and metrics to be included in the standard for sustainability reporting goes beyond traditional accounting, and a consultation process with environmental scientists and stakeholders is not enough to determine what

what is material and what is not, especially in terms of the scope (e.g. for paragraph BC25, what is complete?).

Environmental scientists are needed to help identify the concepts that need to be measured and the most appropriate metrics and methods for measurement. They are also needed for determining thresholds of environmental impact and calculating risks to enterprises of particular environmental dependancies. Not having environmental scientists on the Board and working group, hence part of the core decision making processes, risks a lack of acceptance of any sustainability reporting standards, proposed metrics and methods by the scientific community, which may in turn affect the credibility of the standards in the minds of investors or the general public. This would defeat at least part of the motivation for producing such standards.

Climate related disclosures are a suitable starting point, but disclosures related to other environmental risks and opportunities, and in particular biodiversity, need to be developed quickly.

Question 1. Overall approach

The approach needs an arching conceptual framework and scope.

The United Nations System of Environmental Economic Accounting provides a conceptual framework that could be used in the development of sustainability-related financial disclosures. This framework would put the sustainability related information into a broader context.

System of Environmental Economic Accounting is an international statistical standard providing a comprehensive framework for the recording of natural capital and ecosystem services, which represent the dependencies of enterprises on the environment. This system also covers, extraction of natural resources (timber, fossil fuels and minerals), use of inputs such as water and energy, air and water pollution and generation of solid wastes which are used or generated by enterprises and have impacts on the environment. As such the System of Environmental Economic Accounting is a ready made framework that can be adapted and scaled for enterprise level reporting of sustainability related financial disclosures

The System of Environmental Economic Accounting would help provide a practical guide to the definition of sustainability related financial information (i.e. the definition provided in paragraph BC26). The need for a broad definition is understandable but there is also a need to provide guidance for what needs to be considered for understanding the factors affecting enterprise value and environmental condition.

Alignment with the United Nations conceptual model would help determine within enterprises what is material. Alignment with concepts, definitions and metrics would also facilitate data comparison, enable independent industry and national benchmarking, and understand the cumulative impacts of economic activity and the associated risks to enterprise value.

Question 2. Objectives, paragraphs 1 to 7

Paragraph 2 begs the question what is significant? Without an overarching conceptual framework what is material and what is significant is difficult to determine. Material is the "what", while significant is a threshold. What is material and what is significant needs to be determined, probably by environmental scientists.

Similar questions occur in paragraph 3 in particular what is "complete" and what is "accurate"?

Question 3. Scope paragraphs, 8 to 10

A key point of interpretation is in paragraph 9: what is "reasonable"? An overarching conceptual framework would help determine what is reasonable or at least reasonably within scope, showing the dependencies of enterprises on the environment and the impact of enterprises on the environment. This would also enable guidance on what is reasonable be developed. Again scientists will be required to determine what is reasonable from an environmental perspective.

Including not for profit and public sector within the scope is logical.

Question 4 Core content (para 11-35)

For the governance, the expertise, knowledge and skills of the body and individuals needs to be disclosed. A broad range of knowledge and skills is required, and environmental science is a necessary part of this.

Again, for sustainably related risks and opportunities an overarching conceptual framework would help to identify the expertise needed. This will relate to identifying the impacts on the environment and the dependencies of the enterprise on the environment, hence the risks to enterprise value.

It would help if short medium and long term should at least have indicative indications. E.g short-term is less than 3 years; medium-term is 4-10 years and long-term greater than 10 years

For paragraph 26 environmental scientists will be needed to identify the likelihood of an impact and the severity of the impacts of particular events to individual enterprises and to identify thresholds. Paragraph 26 (c) mentions processes and the expertise necessary to undertake these processes should be identified.

The issue of metrics is paramount. In these comment I have taken that the world "metric" as shorthand as the measurement of a concept (see my response to Question 17 "Other comments"). If suitable metrics are not identified and defined and are left to individual enterprises to determine, then there is a high risk that users of sustainability reporting will be unable to compare between enterprises and those responsible for validating metrics will have enormous challenges. While the metrics need to be standardised, they should be some freedom with the methods used for their measurement to allow for changing technology and the evolution of data sources and methods.

With the standardisation of metrics, paragraph 34 becomes redundant.

Question 5. Reporting entity paragraphs 37 to 41

As environmental dependencies and impacts are all context specific, enterprises with multiple establishments should report risks related to each establishment. The aggregation of all the establishments into a single enterprise may make difficult the interpretation of information. For example they may be a particular risk in a particular area which is severe, but in the context of the overall enterprise the risk or dependency is not obvious. Some kind of spatial representation of risk is appropriate. My response to Question 7 is related.

For paragraph 40 the list of examples is not exhaustive, and this is indicated by the words “such as“. Air pollution, water pollution, and land assets are examples which could be added.

Question 6 Connected information, paragraphs 42 to 44

And overarching conceptual framework for understanding the linkages between the environment and enterprises would help enormously with understanding the connections between the different risks and opportunities.

Graphical representations of the connections would help.

Questions 7. Fair presentation, paragraphs 45 to 55

Paragraph 49 relates to the reporting entity (Question 5) and is good to see acknowledgement of it here. There are many examples of where disaggregation is needed. For example, risks from sea level rise irrelevant in coastal areas but not in inland areas. If an enterprise has multiple centres of operation, then the enterprises needs to be disaggregated and the risks to each part of enterprises separately identified.

The risks and opportunities are all in particular spaces. An issue here is that the scope of the reporting becomes very large, particularly for large enterprises and if reporting extending into supply-chains. Some bounds will need to be set and how these bounds should be set is a question requiring further thought (and relates to Question 8).

Question 8. Materiality, paragraphs 56 to 62

The definition of material information is from previous IASB framework. Information ‘*is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity*’.

This is a very general definition, open to interpretation.

Question 8 recognises that the primary users of general purpose financial reporting may not necessarily be the primary users of sustainability reporting. What is material to the users interested in sustainability reporting may be broader in scope than the primary uses of general purpose financial reporting.

While it is true that what is material might change year-to-year, place-to-place, and enterprise-to-enterprise, there is almost certainly information that is material to virtually every enterprise. For example, water use, energy use, air pollution (including CO2 emissions), dependence on ecosystem services and natural capital assets and vulnerability of particular assets and income streams to particular environmental risks (floods, fires, drought). A list of these should be developed as part of the general requirements and not left entirely to individual enterprises to determine.

Such a list will make the application of materiality much clearer. At present the vague definition would allow the exclusion of information which many would consider material. A minimum set of information should be defined as material.

Without a minimum set of information it would be possible for an enterprise to claim that they are disclosing sustainably-related financial information in line with IFRS/ISSB standards by simply saying that nothing is material to their operations.

Question 9. Frequency of reporting, paragraphs 66 to 71

I agree that sustainably related financial discloses should be required at the same time is the financial statements to which they relate. The information is connected. If the information is reported at different times, then the information is not easily connected and would likely encourage siloed management and reporting of information.

Question 10. Location of information, paragraphs 72 to 78

No comment.

Question 11. Comparative information sources of estimation and outcome and certainty and errors, paragraph 63 to 65 79 to 83 in 84 to 90

Including information on the accuracy of reporting is sensible. If the methods are explained and the limitations are clear, then users are able to judge the usefulness of the information.

It would be useful to distinguish errors in estimation from differences due to changes to the methods of estimation.

Question 12 Statement of compliance

No comment.

Question 13. Effective date

The effective data should be as soon as possible, and one year would seem appropriate. If the effective date is longer then enterprises may unnecessarily prevaricate. If enterprises are unable to fully comply then I can report what they have done and explain the reasons for not fully complying.

Sustainability reporting should be compulsory in the long term. In the short term companies that choose not to report should explain why they are not reporting now and when such reporting is likely to commence. Comply or explain is an interim measure.

Question 14. Global Baseline

No comment

Question 15. Digital reporting

No comment.

Question 16. Costs benefits and likely impacts

No comment.

Question 17. Other comments

The lack of an overarching conceptual framework for sustainability related financial disclosures is a concern. This is mentioned in my general comments and in responses to various questions.

I'm also going to be pedantic. There are concepts, metrics and methods. For example, weight is a concept and a metric for weight is a kilogram. A scale (such as I have in my bathroom) is method used to measure my weight. How accurate are kilograms (the metric) is nonsense. How accurate are my scales (the method) that is used to measure my weight kilograms (the metric) is the real question.

The first thing that needs to be agreed are the concepts you then need to agree on the metric and finally on the method to measure the metric. I think the issue here is that the concepts to be measured or not yet fully agreed. For sustainability-related finiancial information you need to have common concepts, including a common conception of risk, or at least the factors contributing to risk, before you can start to measure risks. This is related to factors like the likelihood of an event occurring and the severity of impact should the event occur. This is risk management 101 and does not seem to have been considered explicitly in this reporting framework.

An overarching conceptual framework would help identify the concepts that need to be measured for sustainability reporting. Once these are established, then metrics and methods can be agreed and the accuracy of these can be assessed and reported.

About you

AY-1. Please provide your full name and email address:

First name:	Miguel
Last name:	Oyarbide
Email:	

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Individual

Question 1—Overall approach

The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

01-AP. (a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

- Broadly Agree

01-AR. Please explain your answer:

While the Exposure Draft outlines the definition of materiality, it does not propose a process to determine materiality and materiality thresholds. Limiting interpretation of materiality to the IFRS conceptual framework's definition is likely to lead to the same issues other sustainability-related frameworks have experienced: unless the final Sustainability Disclosure Standard provides more direction on how to determine materiality and materiality thresholds, the decision is ultimately subject to the preparer's bias, which may understate or overstate the significance of particular topics. Adopting SASB's model -i.e., prescribe sector-specific material topics- might reduce preparer's bias but nuances and preparer-specific topics might be lost. Rather than prescribing sector-specific material topics, the Standard could build on the experience of GRI and emphasise on the process and principles to determine materiality and thresholds.

01-BP. (b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

- Broadly Agree

01-BR. Please explain your answer:

Yes. The emphasis on financially-material sustainability topics is clear throughout the Exposure Draft.

01-CP. (c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 *Climate-related Disclosures*? Why or why not? If not, what aspects of the proposals are unclear?

- Broadly Disagree

01-CR. Please explain your answer:

There are limited practical references to the IFRS S2. Connectivity could be strengthen by providing more context into how the materiality process should inform reporting decisions on both climate and other sustainability topics. Having stand-alone climate-related standard -while the subject is crucial- suggests that the topics under it can be addressed in isolation or separate from other sustainability-related matters. This is a limitation in the design if preparers are expected to combine disclosures in integrated reports.

01-DP. (d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

- Broadly Disagree

01-DR. Please explain your answer:

Lack of principles, other than "Fair representation", and topic-specific disclosure requirements, topic boundary, etc. will present difficulties for a consistent and clear approach for auditors and regulators to verify compliance.

Question 2—Objective (paragraphs 1–7)

The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

02-AP. (a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

- Broadly Agree

02-AR. Please explain your answer:

Yes, especially given the provisions on defining the timeframe of the prepares' assessments. However, the Standard could benefit by more explicitly recognising other actors that affect financial value creation (suppliers, customers, communities, employees, etc.)

02-BP. (b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

- Broadly Agree

02-BR. Please explain your answer:

N/A

Question 3—Scope (paragraphs 8–10)

Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users' assessments of the entity's enterprise value are outside the scope of sustainability-related financial disclosures.

The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction's GAAP (so with IFRS Accounting Standards or other GAAP).

03-AP. Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

- Broadly Agree

03-AR. Please explain your answer:

It will be very important to promote and seek endorsement by relevant national bodies, who should produce jurisdiction-specific guidance for application, or recognise domestic topics relevant for reporting.

Question 4—Core content (paragraphs 11–35)
The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well established work of the TCFD.

Governance
The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be:

> to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy
The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be:

> to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.

Risk management
The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

> to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.

Metrics and targets
The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

> to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.

04-AP. (a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

- Broadly Agree

04-AR. Please explain your answer:
Yes. However, the current objectives could result in disclosures for Governance, Strategy and Risk Management perfectly aligned with the Standard and that do not change year on year: a preparer could issue the exact same information in multiple years and still comply with the Standard. Under Metrics and Targets, it would be beneficial to require preparers to explain how their targets are set and how they compare against historical trends (to signal level of ambition); metrics are expected to be quantitative yet it would be appropriate in some instances to allow qualitative disclosures of performance.

04-BP. (b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

- Broadly Agree

04-BR. Please explain your answer:
N/A

Question 5—Reporting entity (paragraphs 37–41)
The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

05-AP. (a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

- Broadly Agree

05-AR. Please explain your answer:
Yes, especially as it recognises value chain aspects beyond the immediate and direct control of the reporting entity.

05-BP. (b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

- Broadly Agree

05-BR. Please explain your answer:
Yes, but more detail should be provided on the expected performance disclosures at topic-specific level - rather than the examples noted under "such as", the Standard should specify items generally applicable to any reporting entity, such as modern slavery.

05-CP. (c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

- Broadly Agree

05-CR. Please explain your answer:
N/A

Question 6—Connected information (paragraphs 42–44)
The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) between the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

06-AP. (a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

- Broadly Disagree

06-AR. Please explain your answer:
No, the statement is clear but application will not be consistent as it is subject to the preparer's interpretation or appetite. Disclosures are likely to be qualitative statements and hence more difficult to audit or verify.

06-BP. (b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

- Broadly Agree

06-BR. Please explain your answer:

More guidance on how to perform the disclosure of connectivity should be provided - or at least principles or tests to support the reporting entity's proper disclosure.

Question 7—Fair presentation (paragraphs 45–55)

The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

07-AP. (a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

- Broadly Agree

07-AR. Please explain your answer:

N/A

07-BP. (b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

- Broadly Disagree

07-BR. Please explain your answer:

Beyond reference to SASB, benchmarking, etc. more guidance on the process to determine risks and opportunities would be welcome - the current provisions place the decision on the reporting entity, which might be able to apply the Standard fully and yet understate or overstate particular topics due to resource constrains, appetite, visibility, etc.

Question 8—Materiality (paragraphs 56–62)
The Exposure Draft defines material information in alignment with the definition in IASB's *Conceptual Framework for General Purpose Financial Reporting* and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'.

However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

08-AP. (a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

- Broadly Disagree

08-AR. Please explain your answer:

While the Exposure Draft outlines the definition of materiality, it does not propose a process to determine materiality and materiality thresholds. Limiting interpretation of materiality to the IFRS conceptual framework's definition is likely to lead to the same issues other sustainability-related frameworks have experienced: unless the final Sustainability Disclosure Standard provides more direction on how to determine materiality and materiality thresholds, the decision is ultimately subject to the preparer's bias, which may understate or overstate the significance of particular topics. Adopting SASB's model -i.e., prescribe sector-specific material topics- might reduce preparer's bias but nuances and preparer-specific topics might be lost. Rather than prescribing sector-specific material topics, the Standard could build on the experience of GRI and emphasise on the process and principles to determine materiality and thresholds.

08-BP. (b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

- Broadly Disagree

08-BR. Please explain your answer:

While the Exposure Draft outlines the definition of materiality, it does not propose a process to determine materiality and materiality thresholds. Limiting interpretation of materiality to the IFRS conceptual framework's definition is likely to lead to the same issues other sustainability-related frameworks have experienced: unless the final Sustainability Disclosure Standard provides more direction on how to determine materiality and materiality thresholds, the decision is ultimately subject to the preparer's bias, which may understate or overstate the significance of particular topics. Adopting SASB's model -i.e., prescribe sector-specific material topics- might reduce preparer's bias but nuances and preparer-specific topics might be lost. Rather than prescribing sector-specific material topics, the Standard could build on the experience of GRI and emphasise on the process and principles to determine materiality and thresholds.

08-CP. (c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

- Broadly Disagree

08-CR. Please explain your answer:

While the Exposure Draft outlines the definition of materiality, it does not propose a process to determine materiality and materiality thresholds. Limiting interpretation of materiality to the IFRS conceptual framework's definition is likely to lead to the same issues other sustainability-related frameworks have experienced: unless the final Sustainability Disclosure Standard provides more direction on how to determine materiality and materiality thresholds, the decision is ultimately subject to the preparer's bias, which may understate or overstate the significance of particular topics. Adopting SASB's model -i.e., prescribe sector-specific material topics- might reduce preparer's bias but nuances and preparer-specific topics might be lost. Rather than prescribing sector-specific material topics, the Standard could build on the experience of GRI and emphasise on the process and principles to determine materiality and thresholds.

08-DP. (d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

- Broadly Agree

08-DR. Please explain your answer:

In those cases, there should be a standard and clear statement for the reporting entity to note the specific omissions and the reasons why.

Question 9—Frequency of reporting (paragraphs 66–71)

The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.

09-AP. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

- Broadly Agree

09-AR. Please explain your answer:

N/A

Question 10—Location of information (paragraphs 72–78)

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

010-AP. (a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

- Broadly Agree

010-AR. Please explain your answer:
N/A

010-BP. (b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

- No

010-BR. Please explain your answer:
N/A

010-CP. (c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is crossreferenced? Why or why not?

- Broadly Disagree

010-CR. Please explain your answer:
This provision risks that information is difficult to find, analyse and interpret properly.

010-DP. (d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

- Broadly Agree

010-DR. Please explain your answer:
Yes, but this information is likely to remain unchanged year-on-year which reduces its relevance for users.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)

The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

011-AP. (a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

- Broadly Agree

011-AR. Please explain your answer:
N/A

011-BP. (b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

- Broadly Agree

011-BR. Please explain your answer:
N/A

011-CP. (c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

- Broadly Agree

011-CR. Please explain your answer:

N/A

Question 12—Statement of compliance (paragraphs 91–92)

The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

012-AP. Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

- Broadly Agree

012-AR. Please explain your answer:

There should be a standard statement to include to clarify omissions and the reasons why.

Question 13—Effective date (Appendix B)

The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

013-AR. (a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

One year to allow reporting entities to gather comparative information with the prior year.

013-AP. (b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

- Broadly Agree

013-AR. Please explain your answer:

N/A

Question 14—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

014-AP. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

- Yes

014-AR. Please explain your answer:

Lack of consistency in how reporting entities determine topic materiality and the comparability of the disclosures.

Question 15—Digital reporting

The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 *Climate-related Disclosures* Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

015-AR. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

N/A

Question 16—Costs, benefits and likely effects

The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

016-AR. (a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

GRI remains the most widely used sustainability reporting framework yet it requires a different approach to disclosure than ISSB and more closely aligned with "double materiality" - will reporting entities have to produce two documents, one for financial stakeholders, one for other stakeholders? The cost, effort and time required would exceed the capacity of most reporting entities and hinder adoption of ISSB until clear benefits are visible.

GR16B. (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

N/A

Question 17—Other comments

017-AR. Do you have any other comments on the proposals set out in the Exposure Draft?

N/A

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28 July 2022

International Sustainability Standards Board (ISSB)
IFRS Foundation
Columbus Building, 7 Westferry Circus
Canary Wharf, London, E14 4HD
United Kingdom

Dear Mr Faber,

Re: Exposure Drafts IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*

On behalf of National Australia Bank (NAB) we are writing to comment on the aforementioned Exposure Drafts (EDs) issued in March 2022. We appreciate this opportunity to provide feedback.

NAB is incorporated and domiciled in Australia and listed on the Australian Securities Exchange. NAB is one of the four major Australian banks, operating primarily within Australia and New Zealand and serving customers in the areas of personal banking, business and private banking, and corporate and institutional banking. In our most recent annual results, we reported net profit after tax of AUD$6.4 billion and total assets of AUD$926 billion.

We are supportive of efforts to create a comprehensive global baseline for sustainability disclosures. There is growing demand for comparable, consistent and reliable sustainability-related information. As a member of the Value Reporting Foundation, we acknowledge the role of global frameworks in progressing this objective. We continuously work to improve the quality of our disclosures, with consideration of relevant frameworks including the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI).

As a financial institution we are required to analyse climate risks and opportunities associated with our lending portfolio. Improved reporting across the economy makes it easier for banks to understand sustainability performance and measure emissions of customers, ie. financed emissions, and track progress in supporting the transition to net zero by 2050. We look forward to the contribution the Standards can make to data availability and quality over time.

We would like to highlight four key areas of feedback identified in our review of the draft Standards:

- Global baseline – we encourage the ISSB to continue its close dialogue and collaboration with voluntary frameworks and standard setters, as well as jurisdictional authorities, to further enable international convergence. While the Standards go some way in facilitating global standardisation, we have identified some areas where fragmentation exists between the Standards and other frameworks, standards, and jurisdictional authorities, and we encourage the ISSB to remedy these where possible.

- Climate first approach – we support the climate first approach adopted by the ISSB and note the ISSB's intention to align [Draft] IFRS S2 with TCFD disclosure requirements.
- Forward looking statements – the draft Standards require reporting entities to provide information relating to future events and the forward looking strategy of the entity. Due to the inherent uncertainty of future events, forward looking statements carry a higher risk of breaching Australian laws prohibiting misleading and deceptive conduct. We are concerned that reporting entities may be exposed to increased risk of liability for misleading and deceptive conduct in complying with the requirements of the Standards due to the longer-term nature of forward looking statements that relate to sustainability-related risks and opportunities, particularly climate-related risks and opportunities. We acknowledge the need for the Standards to require the disclosure of certain forward looking information, but suggest that the ISSB consider ways in which this legal risk may be mitigated. For example, the Standards may include an express acknowledgement that any information relating to future matters is inherently uncertain and that users of general purpose financial reporting should not place undue reliance on such information.
- Effective date and implementation – we suggest that the ISSB consider a phased implementation. There will be considerable effort required to implement the draft Standards, driven by the need to develop further capabilities, enhance current reporting systems, improve data collation and address skills shortages.

Responses to questions

Our detailed responses to questions on the draft Standards are contained in the appendices to this letter as follows:
- Appendix 1 – [Draft] IFRS S1
- Appendix 2 – [Draft] IFRS S2

If you have any questions or require further clarification on our responses, please do not hesitate to contact Matt Rodgers at matt.rodgers@nab.com.au.

Yours sincerely

Greg Braddy
Deputy Group Chief Financial Officer

Jessica Forrest
Executive, Social Impact

Appendix 1: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

Question 1 – Overall approach

> (a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

We agree that the Exposure Draft is clear in its intention to set out the overarching disclosure requirements for information about an entity's significant sustainability-related risks and opportunities where another specific IFRS Sustainability Disclosure Standard does not exist. However, we believe that the Exposure Draft lacks clarity on the definition, consistent application and interchangeability of key terminologies such as 'significant', 'material', 'sustainability' and 'sustainability-related financial information' and how these terms should be interpreted in the context of the Standard.

We suggest that further guidance be provided to ensure that these terms are interpreted and applied consistently by reporting entities. For example, the term 'significant' is not defined, and it is unclear whether this is intended to be used interchangeably with the term 'material' or whether it has its own meaning.

> (b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

Whilst we agree that conceptually the proposed requirements set out in the Exposure Draft meet its proposed objective, there is insufficient clarity on the definitions and interchangeability of key terminologies which may impede the consistent application of the Standard. This is of particular concern as these terms may take on different meanings across different jurisdictions. Please refer to our response to Question 1(a) above, which outlines our concern about the lack of clarity related to definitions.

> (c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?

The Exposure Draft is clear in its intention to set out the overarching disclosure requirements for sustainability-related financial information relevant to the assessment of the entity's enterprise value. It is our understanding that the intention of [draft] IFRS S1 is to provide principles and guidance for the disclosure of sustainability-related financial information that will result in the consistent application of disclosure requirements, including together with the requirements of other IFRS Sustainability Disclosure Standards. In this regard, a comparison can be drawn to the IFRS *Conceptual Framework* which describes the objective of, and concepts for, general purpose financial reporting. The purpose of the *Conceptual Framework* is to establish consistent concepts, interpretations and principle-based guidance on the application of other IFRS Accounting Standards.

We believe that [draft] IFRS S1 should function in a similar manner to the *Conceptual Framework*. We suggest that the focus of [draft] IFRS S1 be on establishing a framework for the consistent application of disclosure requirements for sustainability-related financial information. Such a framework should include only holistic requirements that are likely to be common across subsequent thematic IFRS Sustainability Disclosure

Standards. Currently [draft] IFRS S1 contains a mixture of general features requirements (appropriate to a framework) together with more specific disclosure requirements (which could be left to subsequent more specific IFRS Sustainability Disclosure Standards). For example, the Exposure Draft includes 'General Features' which are appropriate to a framework, as are some of the requirements discussed under the 'Core Content' sections. However, some of the requirements included under 'Core Content' would be best left to other IFRS Sustainability Disclosure Standards (for example paragraph 23 requires an entity to disclose information about its resilience and capacity to adjust to uncertainties arising from significant sustainability-related risks).

(d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

It is our view that certain proposals included in the Exposure Draft would present significant challenges from an assurance perspective, particularly given the forward looking and long-term nature of information being disclosed. For this reason, we expect that a mixture of limited assurance and reasonable assurance will be required for the disclosure of sustainability-related financial information, at least in the short to medium term.

We do not believe it would be practicable for reasonable assurance to be provided over all sustainability-related disclosures – this requires cost vs benefit consideration as reasonable assurance will increase the cost burden on report preparers. Consideration should be given to designating different levels of assurance to different aspects of disclosure. Furthermore, we believe that it will take time for the audit profession to reach the scale and maturity required for the assurance of sustainability-related financial information.

We defer to the relevant regulators to comment on whether the Exposure Draft would provide a suitable basis to determine whether an entity has complied with the proposals.

Question 2 – Objective (paragraphs 1 – 7)

(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

The proposed objective in the Exposure Draft is clear but there are a number of aspects related to this objective which may require further consideration. Most notably, we recommend that the Standard provides a definition for 'significant' in the context of 'significant sustainability-related risks and opportunities' (refer to response to question 1(a) above). We believe that providing this guidance is critical in ensuring that reporting entities are applying judgements consistently when identifying sustainability-related risks and opportunities that are significant.

Furthermore, the reference to 'primary users of general purpose financial reporting' and 'enterprise value' in the objective of the Exposure Draft creates a narrow focus on the information needs of providers of capital when making investment decisions. This may result in the provision of disclosures which do not satisfy the information needs of all users of general purpose financial reporting. However, we agree with the need to ensure that proposed disclosure requirements are sufficiently specific, as too broad an objective would diminish the usefulness of the information being disclosed.

(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

The definition of 'sustainability-related financial information' is somewhat clear. However, we note that the proposed definition could be viewed as describing 'financial-related sustainability information' (i.e. sustainability information that has a financial impact) as opposed to 'sustainability-related financial information (i.e. financial information that has a sustainability impact).

With reference to paragraph 6(c), this explanation of 'sustainability-related financial information' refers to the entity's reputation and relationships with people, the planet and the economy. This appears to be in contradiction to the definition of 'sustainability-related financial information' in Appendix A of the Exposure Draft, which is centred on 'enterprise value' and the 'users of general purpose financial reporting'. This requires further clarification in the Standard.

With reference to paragraph 6(d), the term 'knowledge-based assets' is used without any definition being provided. This is not a term that is used anywhere else within the Exposure Draft or in other IFRS Accounting Standards. It is not clear whether this is intended to be a reference to intangible assets or something different.

Question 3 – Scope (paragraphs 8 – 10)

Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

We think it is likely that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with a local GAAP equivalent. However, further analysis may be required in order to determine the extent to which certain jurisdictional GAAP requirements would allow for the application of the proposals in the Exposure Draft.

In Australia, Australian Accounting Standards and Interpretations are issued by the Australian Accounting Standards Board (AASB). These standards are the Australian equivalents to IFRS Accounting Standards and are required to be applied by many reporting entities. It is expected that the proposals in the Exposure Draft could be used by an entity preparing general purpose financial statements in accordance with Australian Accounting Standards.

Australia follows a two-tier financial reporting approach, where entities that are not required to comply with full Australian Accounting Standards (i.e. Tier 1) are required to prepare their financial statements in accordance with Australian Accounting Standards – Simplified Disclosures (i.e. Tier 2). Tier 2 disclosure requirements are based on the IASB's *International Financial Reporting Standards for Small and Medium Sized Entities (IFRS for SMEs)*. It is not clear from the Exposure Draft whether the Standard would be applicable to reporting entities preparing their financial statements in accordance with IFRS for SMEs (or in accordance with the Simplified Disclosure regime in Australia).

Question 4 – Core content (paragraphs 11 – 35)

(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

The Governance related objective to understand the processes, controls and procedures used to manage sustainability-related risks and opportunities will require further clarity, including detailed guidance and illustration of what level of detail is expected. This could be interpreted as requiring information on reporting entities' detailed processes and controls at a granular level which would be beyond the reasonable scope of sustainability reporting.

The Risk Management related objective should specify that reporting entities are required to provide general, or high level, descriptions of the processes through which sustainability-related risks and opportunities are identified, assessed and managed except in the instance where significant differences in process exist, in which case more specific information should be disclosed (e.g. the process for managing human rights grievances and remediation).

The Metrics and Targets related guidance should include clear guidance on how the ISSB will evaluate and review metrics they have stated as required within their Standards. There should be clear use cases for mandatory metrics.

(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

We support the reporting of appropriate metrics and targets. However, there are significant limitations at the present time with sustainability-related metrics including data quality, availability, comparability, evolving methodological approaches and financial modelling of sustainability risks which is at a very early stage. We suggest the Standard acknowledges the complexity and limitations of current and forward looking metrics.

We suggest that further nuance be considered so that it is clear that reporting entities are not required to disclose commercially sensitive information relating to sustainability-related risks and opportunities. The level of detail required in disclosures should strike a balance between providing primary users of general purpose financial reports with sufficient information to assess enterprise value, but not require reporting entities to disclose strategies or approaches that have proprietary value.

Question 5 – Reporting entity (paragraphs 37 – 41)

(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

Yes, conceptually we agree that sustainability-related financial information should be provided in respect of the same reporting entity as the related general purpose financial statements.

However, we note that certain sustainability-related risks and opportunities may be significant for certain entities within a corporate group structure but may not be material in the context of the consolidated group. In this instance, such risks and opportunities should be excluded from the consolidated sustainability-related financial information, consistent with the treatment of financial reporting disclosures within the consolidated financial statements themselves.

The reporting boundary for certain sustainability disclosures may differ from the consolidated group for financial reporting purposes (for example, where a specific IFRS Sustainability Disclosure Standard such as [draft] IFRS S2 prescribes the basis for the calculation of particular metric for the consolidated group). In such instances, this fact should be disclosed in order to assist users in understanding the connectivity of information between the sustainability-related disclosures and the financial statements.

(b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

While the requirement is clear, the boundaries, responsibilities and impacts across the value chain vary greatly. The value chain of a bank is extremely broad as it includes suppliers and customers across much of the economy. As such, we are indirectly linked to the sustainability issues that affect a very broad range of customers and the economy more generally, making access to relevant, quality external data greatly challenging. It may be instructive to bring in the concepts of 'data quality' scores as required through Partnership for Carbon Accounting Financials (PCAF). There needs to be further, explicit guidance on what reporting entities are expected to disclose in relation to their value chain and how they should be expected to do so. This will become increasingly relevant across a broader range of sustainability topics.

It is important, having regard to the breadth of a bank's exposure to the economy, that reporting is focused on addressing the material value chain issues. This may include giving regard to both an entity's material impacts on society, as well as those issues that have a material impact on enterprise value. Refer to our response to question 8(a) for further comments in this regard.

(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

Yes, conceptually we agree with the requirement to identify the related financial statements. However, we note that in many instances this may already be apparent from the manner in which the information is presented. For example, if the sustainability-related financial information and the financial statements are included within the same financial reporting package (such as an integrated report) then it may not be necessary to include an explicit statement that identifies the related financial statements. In this regard we note that paragraph 72 of the Exposure Draft requires an entity to disclose information required by IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting.

Question 6 – Connected information (paragraphs 42 – 44)

(a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

The requirement in the Exposure Draft is somewhat clear, and in theory could be achieved by cross-referencing between the sustainability information and the financial statements. However, this may be difficult to implement in a manner that provides meaningful information to users of the financial reporting. Refer to our response to question 6(b) below for further considerations in this regard.

It is difficult to ascertain from the Exposure Draft how reporting entities will be able to determine whether they have sufficiently complied with the 'connectivity' requirement. While the Exposure Draft includes two examples of the disclosure of 'connected information' in paragraph 44(a) and 44(b), further guidance should be provided to assist reporting entities to apply this concept appropriately. This could be achieved via further examples in the main text of the Standard or through Illustrative Examples in a separate appendix.

Furthermore, the cross-cutting nature of sustainability topics necessitates a clearer explanation of the expectation on reporting entities to disclose connectivity of information, as well as guidance to understand the boundary for identifying and explaining 'connected information'.

(b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

In principle, we agree with the need for connectivity between various sustainability-related risks and opportunities and information in the general purpose financial statements. However, this could be difficult to achieve due to the different bases of preparation of sustainability-related disclosures and financial statement disclosures, as well as the differing levels of assurance over each.

Sustainability-related risks and opportunities are mostly forward looking, whereas financial reporting primarily involves the presentation of historical information. In the shorter term, this likely means that there is limited opportunity to cross reference between sustainability-related information and the financial statements. However, over time it is expected that the degree of connectivity between sustainability-related risks and opportunities and the financial statements will increase as the financial effects of sustainability-related issues begin to have a more profound impact on the reporting entity's financial performance and financial position. At this future stage, the notes to the financial statements could include an explanation of the impact on the entity's financial performance and financial position, with a cross-reference to further disclosures on sustainability-related risks and opportunities that are provided elsewhere within the financial reporting package.

We note that the level of assurance provided over sustainability-related disclosures may be lower than the level of assurance provided over the financial statements (refer to our response to question 1(d) above). We suggest that the ISSB further consider how the requirements relating to the connectivity of information would be achieved where the level of assurance differs, and whether cross-referencing in such situations would still be appropriate.

Question 7 – Fair presentation (paragraphs 45 – 55)

(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

The proposal to fairly present sustainability-related risks and opportunities is reasonable. We have legal obligations (i.e. under the Australian Corporations Act) to provide accurate and reasonable information. However, further information is required to allow interpretation of the guidance on the appropriate use of aggregated information. Specifically, further illustrative guidance on how organisations should apply their judgement to determine when information should be disaggregated or aggregated for the purposes of disclosure, noting the requirement for information not to be aggregated if doing so would obscure material information. Further information on what is material and not material in this instance would be needed, beyond the current guidance relating to shared characteristics.

(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

An organisation's own consultation with stakeholders should, first and foremost, inform its understanding of its sustainability-related risks and opportunities, a process as outlined in the GRI and the AA1000 Assurance Standard.

With regards to paragraph 51(c), we suggest that the ISSB consider whether the current reference to 'other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting' would impede the ISSB's objective of harmonisation and developing a global baseline for sustainability disclosures. We note that there are other relevant industry standards and guidance that will assist reporting entities in identifying significant sustainability-related risks and opportunities. Some examples include the UN Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Banking (PRB) guidelines on impact reporting, the GRI, Climate Bond Initiative guidance, ISO 26000, and Guiding Principles on Business and Human Rights.

Question 8 – Materiality (paragraphs 56 – 62)

(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

Clarification on the intended difference between the terms 'significant' and 'material', and how the ISSB envisages the concepts will interact in practice, is required. It is not clear whether the terms are being used interchangeably.

We agree that the definition and application of materiality is clear. We also agree with the ISSB's approach that reporting entities should focus on impact to enterprise value in identifying sustainability-related risks and opportunities for disclosure (paragraphs 56 and 57). However, we note that there are expectations, including from primary users of general purpose financial reports, other reporting frameworks and jurisdictional requirements, that reporting entities also disclose how they manage sustainability-related risks and opportunities and their impact on society, even when the link to enterprise value is not immediately clear.

We suggest that the ISSB consider how the definition of materiality in the draft Standard is capable of interacting with other reporting frameworks and jurisdictional requirements that may apply a broader lens to materiality, or which may not link disclosure to materiality thresholds at all. The ISSB could consider publishing separate guidance or practice notes on this topic. We are concerned that if this issue is not considered, that the Standard will be less effective at achieving a global baseline for sustainability reporting. Harmonisation of these differing requirements should be seen as a key objective in establishing a global baseline.

(b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

Refer to our response to question 8(a) above. We request the ISSB to consider how the proposed definition of materiality in the draft Standard is capable of interacting with other reporting frameworks and jurisdictional requirements which expect organisations to consider sustainability-related impacts (on the economy, environment, and people) when identifying topics for disclosure.

(c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

Refer to our responses to questions 8(a) and 8(b) above.

(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

Yes, we agree with this proposal provided that sufficient information is provided to explain the reason for non-disclosure. In this regard, we note the limitations on providing forward looking statements in the Australian context (refer to our response to question 12 below). We also suggest that an entity be relieved from providing detailed disclosures on the effects of significant sustainability-related risks and opportunities on the entity's governance, strategy or risk management where these disclosures are considered to be commercially sensitive (refer to our response to question 4(b) above).

Question 9 – Frequency of reporting (paragraphs 66 – 71)

Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

Yes, we agree that an entity should, where possible, provide sustainability-related financial disclosures at the same time as the related financial statements on at least an annual basis. However, there are additional reporting obligations and requirements connected to sustainability-related reporting which may operate on differing timelines. Refer to our response to question 10(b) below for examples in this regard. We expect that there should be continued allowance for these disclosures to be made as and when required, and as long as they are provided within a reasonable period from the entity's reporting period (e.g. 3-4 months), the content of these disclosures could be used for the financial statements in order to meet these reporting time-periods and avoid the need for duplicate reporting.

We also note that sustainability reporting is typically not as established as financial reporting within organisations' systems, reporting processes, controls and resources, and therefore the Standards should clarify that interim reporting is expected to provide an update focusing on 'new information, events and circumstances' and may require or allow organisations to choose to provide less information at interim dates. There is significant investment required to support organisations in building the capacity and capability to report, as expectations for entities to disclose more topics more frequently increase (also refer to our response to question 16 below).

Question 10 – Location of information (paragraphs 72 – 78)

(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

Yes, we agree that sustainability-related financial disclosures should be part of general-purpose financial reporting. This will improve the ease of use, connectivity of information and understandability of reporting for users. We also support the proposal to not specify a particular location for the disclosure of information, as this allows reporting entities to provide disclosures in a manner which is best suited to their overall general-purpose financial reporting package.

For certain comprehensive disclosures, for example scenario analysis or where detailed methodologies are required, we suggest that the Standard allows for a summary to be provided in the main financial reporting package with a link or reference provided to separate detailed documentation such as calculation methodologies.

(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

No, however it is worth noting certain jurisdictions or industry bodies may be required to prepare and publish specific disclosures outside of general purpose financial reporting and for differing reporting timeframes. For example, regulatory reporting on greenhouse gas emissions, certification disclosures for carbon neutral certification, modern slavery disclosures which require separate statements, or voluntary disclosures such as Project Finance/the Equator Principles and the Principles for Responsible Banking which specify reporting and disclosure requirements.

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross referenced? Why or why not?

Yes, we agree conceptually that cross-referencing is appropriate where possible as it will avoid duplication and will assist in explaining the connectivity of information. However, we note that there could be challenges in cross-referencing certain information. Please refer to our response to question 4(b) above for considerations in this regard.

(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

Yes, this requirement is clear.

Question 11 – Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63 – 65, 79 – 83 and 84 – 90)

(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

In general, we agree with the features relating to sources of estimation and outcome uncertainty and errors. We recognise that there is alignment between these concepts and the corresponding requirements for financial reporting information as contained in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. However, there are a few areas which we believe require further consideration.

We agree with the statement included in paragraph 79 of the Exposure Draft: "The use of reasonable estimates is an essential part of preparing sustainability-related metrics and does not undermine the usefulness of the information if the estimates are accurately described and explained." We note that a similar assertion is made in paragraph 33 of IAS 8 relating to the use of estimates in the financial statements.

However, we believe that in practice the level of measurement uncertainty for sustainability-related financial information may be significantly higher than for other estimates included in the financial statements. This will be especially true in the earlier years of adoption of IFRS Sustainability Disclosure Standards, while the methodologies for the measurement of certain metrics are still developing, and where entities are required to make disclosures across their value chain where access to data may be limited. If the level of measurement uncertainty is unreasonably high, the use of such estimates may undermine the usefulness of the information being disclosed.

We also note that there is inconsistency between the Exposure Draft and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* relating to the requirements for the restatement of comparative information. Please refer to our response to question 11(b) below.

(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

No, we do not agree with the proposal that comparative information should reflect updated estimates. We note that this proposal is inconsistent with the principles of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which requires that the effects of changes in accounting estimates are recognised on a prospective basis. We believe that the same principles should apply to comparatives for sustainability-related financial information in order to promote convergence between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards where possible. The requirement to restate comparatives for updated estimates is likely to impose a significant burden on preparers of sustainability-related financial information. A potential alternative to restating comparatives would be to require an explanation of instances where the basis for determining a current period estimate differs from that which was used in the comparative information.

Furthermore, the inconsistency between the Exposure Draft and IAS 8 may undermine the ISSB's intention to ensure that there is connectivity between the sustainability-related financial information and the financial statements. For example, the effect of a change in estimate may be reflected in comparative disclosures in the sustainability-related financial information but not in the financial statements, making it more difficult to connect information between these two areas.

We believe that the requirement to restate comparatives should be limited to errors, or to situations where the relevant framework or methodology specifically requires a restatement (for example, under the GHG Protocol) and where such rebaselining is material to the disclosure in question. We suggest that further guidance is provided in the Standard to illustrate more clearly the circumstances in which restatement is required.

> (c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

To the extent possible, we agree that it would be appropriate for there to be consistency across the data and assumptions used within sustainability-related financial disclosures and the financial statements. However, there may be situations where it is not possible to use consistent data and assumptions.

For example, the assumptions used in scenario analysis for sustainability-related disclosures may not align to those used in the financial statements in areas such as impairment testing and expected credit loss provisioning. Inconsistencies may arise for a variety of reasons, such as the timeline under consideration (which would generally be much shorter for areas covered by the financial statements) or where IFRS Accounting Standards require a single measure (such as a 'higher of' value) while the sustainability-related financial information may consider a range of potential outcomes.

Question 12 – Statement of compliance (paragraphs 91 – 92)

> Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

Overall, we agree with the proposal for a statement of compliance with IFRS Sustainability Disclosure Standards. However, due to the inherent uncertainty of future events, forward looking statements (for example, disclosing anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term) carry a higher risk of breaching Australian laws prohibiting misleading and deceptive conduct. We are concerned that reporting entities may be exposed to increased risk of liability for misleading and deceptive conduct in complying with the requirements of the Standard due to the longer-term nature of forward looking statements that relate to sustainability-related risks and opportunities, particularly climate-related risks and opportunities. Consequently, reporting entities in Australia (and potentially other jurisdictions) may look to qualify particular disclosures in order to be able to assert compliance with IFRS Sustainability Disclosure Standards.

Question 13 – Effective date (Appendix B)

> (a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

We suggest the Standards would need to consider the financial report preparation cycle of entities, the nascency of reporting for some sustainability-related topics, and the need to build capability by preparers when considering the effective date. We would encourage consideration be given to a phased approach to adoption across entity types, sectors or sizes and certain metrics i.e. some disclosures may be applicable earlier than others and some entities may be required to comply earlier than others.

The requirements for sustainability-related financial disclosures and notably for climate related disclosures under [Draft] IFRS S2 involve greater complexity. We suggest that a minimum two to three year phased transition period be considered.

(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

We believe that the proposed relief from disclosing comparatives in the first year of application is appropriate. This relief will allow reporting entities to focus on the already significant challenge of implementing the requirements of the Standard in the year of adoption. Voluntary disclosure of comparatives in the first year of application should be permitted.

Question 14 – Global baseline

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

We fully support a global approach to the development of sustainability disclosure standards. In doing so, we consider it critical that the ISSB and other jurisdictions developing sustainability standards take a co-ordinated approach to avoid regulatory and standard setting fragmentation by aligning key definitions, concepts and metrics on which disclosure requirements are built. Harmonisation of these requirements should be seen as a key objective in establishing a global baseline.

Many entities in Australia report under existing sustainability frameworks and therefore we consider it critical that the comprehensive global baseline also provides entities with clarity about how IFRS Sustainability Disclosure Standards interact and overlap with broader sustainability disclosure frameworks, such as the GRI.

Whilst we support disclosure of industry specific metrics, we are concerned, in some cases, by the quantum of industry metrics included, for example within [Draft] IFRS S2. We suggest the Standards specify the cross-industry metrics required and include industry specific metrics for voluntary adoption by entities to extend their disclosure framework beyond the comprehensive global baseline.

We recommend industry specific metrics should be reviewed and field tested for their usefulness to users of the general-purpose financial statements before their inclusion within the Standards. We also recommend that all metrics should have a clear use case for users of general purpose financial reporting to ensure there is not reporting for reporting's sake.

Question 15 – Digital reporting

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

No specific comments.

Question 16 – Costs, benefits and likely effects

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

We believe that the benefits of implementing the proposals include providing clearer information to investors and other stakeholders. This information will support better decision making.

From an enterprise viewpoint, we anticipate that there will be a significant cost associated with developing capabilities, enhancing reporting systems, improving data collation and embedding internal controls to produce the standard of reporting required to implement the proposals. In addition, it is likely that there will be an additional cost to reporting entities associated with the provision of assurance over the disclosures. It is expected that a significant skills shortage will exist with regards to individuals who possess the relevant knowledge and expertise to assist in the implementation of the proposals as well as their ongoing application. This would further increase the cost of implementation for reporting entities.

From an external viewpoint, we anticipate that the proposals will require increased engagement between reporting entities and shareholders, market commentators, regulators and other stakeholders to ensure that the content of sustainability-related reporting is appropriately understood and disseminated.

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

We anticipate there will be ongoing costs to ensure that reporting entities are appropriately resourced to comply with the reporting requirements, as well as additional costs related to assurance. There will likely also be ongoing costs associated with process refinements, reporting system upgrades and the implementation of new methodologies or calculations, particularly as further IFRS Sustainability Disclosure Standards are introduced.

Question 17 – Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

No further comments.

Appendix 2: IFRS S2 *Climate-related Disclosures*

Question 1 – Objective of the Exposure Draft

(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

Overall, we agree with the objective set out in paragraph 1 of the Exposure Draft. However, we would welcome further clarification on the use of key terminologies to ensure consistent application between reporting entities as well as across different IFRS Sustainability Disclosure Standards. For example, the term 'significant' in the context of 'significant climate-related risks and opportunities' is not defined. It is not clear whether this term is intended to be used interchangeably with the term 'material' or whether it has its own meaning. To further illustrate this point, we note that paragraphs B5 to B7 of the Exposure Draft discuss materiality and that paragraph B7 refers to climate-related risks and opportunities that the entity has concluded are 'significant' without providing any further guidance as to what would constitute a significant risk or opportunity.

Additionally, we note the objective's focus on climate-related impacts on the entity ('single materiality'), as opposed to considering this alongside the impact that an entity has on climate ('double materiality'). The formulation of disclosures based on single materiality may skew litigation risk faced by preparers because not all risks are required to be disclosed. Although there is significant complexity in developing disclosures based on double materiality, there are a growing number of standards that outline and expect this concept to be applied, including those developed by the GRI and more recently, the Taskforce on Nature-related Financial Disclosures (TNFD). We suggest that the ISSB issue a statement on its views relating to double materiality and consider whether to incorporate double materiality into its forward plan for standard setting.

(b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

We agree that disclosure of the information referred to in the objective of the Exposure Draft is relevant for users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value. Whilst the objective and disclosure requirements as they relate to climate-related risks is clear, there may be challenges associated with providing these disclosures as they relate to climate-related opportunities. For example, providing detailed disclosures on the entity's ability to adapt its business model and operations as a result of climate-related opportunities could potentially signal the entity's intentions in this regard and reveal commercially sensitive information or 'trade secrets' related to the entity's strategic direction.

(c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

We agree that the disclosure requirements meet the objectives. However, the quantum of industry metrics is very broad and extensive. We suggest that disclosure requirements are right sized for the reporting entity based on factors such as size and sector. We also note that disclosure requirements need to balance what is possible and reasonable based on data that is available, and the effort required to disclose.

In addition, we encourage the Standard to specify a simpler, core set of required information initially, or a phased implementation approach that supports required methodology, system advancements and availability of information. Consideration should be given to allowing reporting entities to 'comply or explain' if disclosure on a particular metric needs to be limited to protect commercially sensitive information.

The Standard is written to a 'one size fits all' entities approach. We suggest that consideration be given to having some flexibility to accommodate smaller enterprises which may not be resourced to provide disclosures to the level of detail proposed.

Question 2 – Governance

> Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

We agree that a summary of relevant governance bodies involved in oversight of climate related risks and disclosures would be helpful for users of general purpose financial reporting, but we do not agree that the terms of reference for all internal governance bodies, Board mandates and other related policies should be required to be disclosed in detail. This would make reporting information overly long and burdensome and would not appear to be in keeping with financial reporting on other material risks, such as financial risks. Reporting entities should be able to apply their own discretion to the level of detail provided beyond a high-level description. A governance diagram may be a simple way to convey the organisation governance structures involved in oversight of a reporting entity's climate change related strategy, risks and opportunities.

Additionally, further clarity should be provided on what is meant by how and how often the body and its committees (audit, risk or other committees) are informed about climate-related risks and opportunities. This should be able to be a high-level summary, such is currently requested by the Carbon Disclosure Project (CDP), and should allow for inclusion of information about climate-related risks and opportunities to be integrated as relevant in other reporting on material risk categories such as credit, operational and market risk, or as part of other sustainability-related reporting.

Finally, how a governing body such as a Board ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities should be able to be integrated into a reporting entity's existing reporting on Board skills and governance processes. We support the ISSB's proposal that when its oversight of sustainability-related risks and opportunities is managed on an integrated basis, providing integrated governance disclosures rather than separate disclosures for each significant sustainability-related risk and opportunity would reduce duplication.

Question 3 – Identification of climate-related risks and opportunities

> (a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

We suggest additional clarity is required for the definition of 'significant' and how this term relates to the concept of materiality (refer to our response to question 1(a) above). We also suggest that greater guidance on the definitions of short, medium and long term is required – as this may vary significantly across reporting entities.

It would be helpful if the ISSB could clarify how climate-related risk events - and more generally, how significant risks and opportunities - are defined to ensure consistent treatment across reporting entities. The lack of clarity on the definition and scope of climate-related risk events may result in disclosures that lack consistency.

Clarification would also be helpful regarding expenditures or market valuation movements which might only be partially driven by climate-related risks and/or opportunities. Additional guidance from the ISSB on how to isolate/segregate climate-related risks and opportunities from other types of risks and opportunities and how to measure and disclose these financial impacts would be helpful to ensure comparability of disclosures.

Guidance and examples showing how reporting entities should describe the climate resilience of its strategy (including its business model) to significant physical risks and significant transition risks would be helpful to support consistent interpretation of this requirement.

(b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

We suggest the Standard should specify a simple, core set of required information initially, or a phased implementation approach that supports required methodology, system advancements and availability of information.

Question 4 – Concentrations of climate-related risks and opportunities in an entity's value chain

(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

While the requirement is clear, the boundaries, responsibilities and impacts across the value chain vary greatly. The value chain of a bank is extremely broad as it includes suppliers and customers across much of the economy. As such, we are indirectly linked to the sustainability issues that affect a very broad range of customers and the economy more generally.

For banks, we suggest that the disclosure requirement is limited to banks' financing activities associated with their customers only at this stage.

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

We agree that a qualitative description should be considered appropriate, as data limitations may pose challenges in quantifying such risks and present liability risk, given the significant assumptions that are required to make such estimates using climate-related scenarios. Qualitative methods should be acceptable where this is the case. This can be supplemented with quantitative data where available, and where methodologies allow.

Question 5 – Transition plans and carbon offsets

(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

We are supportive of the proposed disclosure requirements. Transition plans and standards around them will become particularly important in bank lending assessments, so that the bank can set appropriate targets for decarbonisation of its portfolio and track progress against them. This needs to be phased given the requirements and resourcing need for all reporting entities.

On transition plans, we suggest that the Standard should include guidelines on the publication of transition plans aligned with a trajectory compatible with a 1.5°C scenario. This would help financial institutions engaged in the Glasgow Financial Alliance for Net Zero (GFANZ) to access information needed to meet their GFANZ obligations. The publication of transition plans by non-financial entities is critical to enable financial institutions to steer their portfolios in alignment with their net zero goals and to support the transition of their customers.

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

We agree with the current disclosures and do not propose any further requirements. However, it may also be helpful for reporting entities to include a link or reference to critical assumptions, particularly those underpinning disclosures made under paragraph 13(b)(ii) of the draft Standard relating to the amount of the entity's emission target to be achieved through emission reductions within the entity's value chain.

(c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

We agree with the purpose and scope of these disclosures. Carbon offsets should be disclosed as part of transition and decarbonisation plans, in accordance with the Emissions Reduction Hierarchy. Credibility of carbon offsets should be disclosed with the following requirements addressed:

- Purchased carbon offsets ('offsets') must be real, quantifiable, 'additional' and permanent.
- Once purchased, the offsets must be retired on a reputable registry.
- Purchased offsets must be generated in accordance with best practice standards and requirements for carbon neutral certification.

We note that the ISSB should not be setting the standard for what is a credible offset and that this should be linked to external frameworks for disclosure requirements. We support paragraph 13(b)(iii)(2)-(3) which refer to disclosures around the use of third party verification and additional information on the intent and nature of the offset.

We suggest that the ISSB provide additional guidance on how offsets should be considered within Scope 1, 2 and 3 carbon emissions accounting, for example, whether preparers would be expected to disclose net GHG emissions (reflecting carbon offsets) or gross GHG emissions with carbon offsets being separately disclosed. We would support the latter to ensure there is transparency related to an entity's net emissions position and its strategy to achieve it.

The Core Carbon Principles and Assessment Framework by the Integrity Council for the Voluntary Carbon Market could serve as a helpful reference for reporting entities.

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

We broadly agree that the information provided will enable the building of a hierarchy of decarbonisation approaches for consideration and for a financial institution to make its own decisions on what to accept.

Question 6 – Current and anticipated effects

(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

We agree that reporting entities should provide quantitative information when it is available and of sufficient quality for public disclosure, or when it is accompanied by data quality assessments that provide transparency on the quality of the data available for use in the analysis that underpins the information being disclosed. Qualitative and semi-quantitative information should be acceptable where there are limitations on data quality or access to data which do not allow for reasonable quantitative information to be disclosed. This should be explained by the reporting entity.

Access to data and data quality remain key barriers to the reliability and comparability of disclosures. Given these limitations, such as the lack of standardised scenarios and methodologies, the lack of maturity of internal capabilities and data limitations, we suggest that the requirements begin with qualitative disclosures and that quantitative disclosure requirements be phased in over time as capability and data availability develop.

We suggest that the ISSB give regard to the current challenges associated with consistent, high quality data and in particular the significant complexity and resources required for financial institutions to calculate Scope 3 financed emissions with a high degree of confidence, given the reliance on a range of data sources to address gaps in data reported by customers. We particularly encourage the ISSB to consider these challenges for certain sectors and asset types for Scope 3 financed emissions and we recommend the introduction of a sector phase-in aligned to the methodology of the PCAF, the Net Zero Banking Alliance (NZBA) timeline, and a materiality-based approach for the disclosure of Scope 3 financed emissions.

Further guidance and examples of situations is needed where qualitative information should be provided if specific quantitative elements are not able to be provided by a reporting entity.

(b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

Conceptually we agree with the proposal that, to the extent possible, an entity should disclose the financial effects of climate-related risks and opportunities on its financial performance, financial position and cash flows. However, such financial effects may not necessarily materialise in the reporting period in question if they are expected to occur over longer periods of time.

For example, while climate change is likely to have an impact on the recoverable amount of fixed assets over the longer term, IAS 36 *Impairment of Assets* requires that the cash flow projections used in determining the value in use of an asset are based on budgets or forecasts that cover a maximum period of five years, unless a longer period can be justified. Similarly, increases in the frequency and severity of climatic events could impact the ability of a bank reporting entity's customers to service their loans or reduce the value of collateral held. However, to the extent that these changes are forecast to occur beyond the contractual maturity of the loan, or if the reduced collateral value remains in excess of the contractual loan balance outstanding, then there would be no financial effect to disclose (i.e. no impact on expected credit loss provisioning).

For these reasons, we suggest that paragraph 14 of the proposed Standard be amended to include 'to the extent possible' (or similar) as far as the requirements relate to the current reporting period. We further suggest that the proposed Standard incorporates an explicit statement that the potential financial effects of climate-related risks and opportunities may not necessarily qualify for recognition in the financial statements or require disclosure in the financial statements unless specifically required by other IFRS Accounting Standards.

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

Whilst we agree conceptually that the proposed disclosure requirements would meet the information needs of investors and other users of general purpose financial reporting, we also recognise that the requirement to provide such information would pose significant challenges for reporting entities.

Most notably it would be difficult for a reporting entity to provide forward looking statements that cover such extended periods of time. Financial statements are, by their nature, concerned with the reporting of historical financial information. Whilst certain areas of the financial statements incorporate forward looking information (for example, impairment assessments and expected credit loss provisioning) these would generally be limited to significantly shorter time periods than those proposed by the disclosure requirements. As the period of time under consideration increases, so too does the degree of estimation uncertainty, which in turn may undermine the ability to provide useful information about the anticipated effects of climate-related risks and opportunities.

We also note that given the inherent uncertainty of future events, forward looking statements (for example, disclosing anticipated effects on the entity's financial position, financial performance and cash flows over the short, medium and long term) carry a higher risk of breaching Australian laws prohibiting misleading and deceptive conduct. Refer to our response to question 12 to [draft] IFRS S1 in Appendix 1 for further considerations in this regard.

It is also possible that the interpretation of 'short, medium and long term' will be wide-ranging across reporting entities and result in divergence in the information being reported. The proposed Standard could include further guidance on the time periods to be considered under the short, medium and long term.

Long-term scenario analysis (i.e. greater than 5 years) relies on significant assumptions which may not materialise or may not prevail as expected. We believe that such scenarios are not suitable for inclusion in the financial statements but are better accommodated in non-financial disclosures.

Question 7 – Climate resilience

(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

The concept of uncertainty is difficult to apply to scenarios and scenario analysis as scenarios by their nature contain significant uncertainty and assumptions, and the outcome of whether or not an entity is resilient will vary significantly depending on the scenario selected. Scenarios give an entity a possible future to help provide information to guide decision making – there is no one 'right scenario'.

We suggest that a reporting entity may need to use a number of scenarios to assess the resilience of its business, for example by undertaking sensitivity analysis or considering worst case and best case outcomes to manage uncertainty.

Given limitations such as the lack of standardised scenarios and methodologies, the lack of maturity of internal capabilities and data limitations, we suggest qualitative disclosures be provided initially about a reporting entity's resilience to climate change and this may lead to quantitative disclosures over time as capability and understanding of scenario analysis increases.

(b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy. i. Do you agree with this proposal? Why or why not? ii. Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not? iii. Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

It is reasonable that preparers, particularly smaller entities, use alternative methods provided they can give the rationale for why they cannot comply and perform scenario analysis. We note that allowing this could potentially reduce comparability when trying to benchmark climate resilience between reporting entities.

We note the proliferation and inconsistency in the types of scenarios currently used for analysis. We suggest that standardisation of scenarios by industry would be helpful. The Network for Greening the Financial System (NGFS) scenario set currently provides useful standardisation for scenarios used by financial institutions.

We suggest that the requirement to use scenario analysis is right-sized based on the size of the entity and is supported by government – i.e. government providing required data, information, and tools.

(c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

We agree with the proposed disclosures, however we would qualify the expectations around disclosure of assumptions. In the main financial reporting package, the requirement should be for a high level summary of assumptions with more detailed information provided in a separate document as deemed necessary by the reporting entity. If a public scenario with published assumptions is used, reporting entities should be able to refer to this rather than reporting it again, noting any exceptions to the existing public information.

We also suggest that the ISSB provide further reporting guidance to this Standard which would explain how the information is to be presented. Additionally, subject to the requirements of prudential and other regulators, the ISSB may consider a statement on the frequency with which scenario analysis is to be updated. For example, once every two to three years.

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

Yes, provided that rationale is provided by an entity that cannot comply. This allows for entities of varying maturity, size and access to resources and data to disclose information while they develop capability and access to data over time.

(e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

There is a significant cost impost to support gaining access to, and using scenarios, data etc for scenario analysis and assessing an entity's climate vulnerability or resilience. Consideration should be made by Governments and others like the NGFS with respect to making standard scenario sets or tools available, downscaled to national level or below, to support entities getting access to data. The provision of such standardised scenario sets or tools would assist in achieving an appropriate balance of costs and benefits associated with the disclosure requirements.

We recommend that the ISSB seek further information on the cost impost related to the draft Standard and the application of the requirements. This may assist in determining whether requirements are mandatory or recommended in the final Standard.

Question 8 – Risk management

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

We agree with the proposed disclosure requirements for the risk management processes, provided that they are at a summary level. It is not practical to provide detailed disclosures on procedures and controls. Refer to our response to question 4(a) to [draft] IFRS S1 in Appendix 1 for comments which apply equally here.

Question 9 – Cross-industry metric categories and greenhouse gas emissions

(a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

We support common disclosures, but further clarity should be provided to confirm what disclosure is acceptable. For example, the type of intensity metrics should be better defined if the purpose is to support cross-company and cross-sector comparability.

Scope 3 calculations for financed emissions are relatively recent and methodologies are evolving. We note that mandating these disclosures while the data is not readily available could present challenges and acknowledgement and allowance is required to address this. We recommend a phased approach to Scope 3 reporting requirements until the market has matured.

Definitions are required for the amount and percentage of assets vulnerable to transition risks and physical risks. These need to be specific in order to achieve comparability between reporting entities. Similarly, we recommend that this be phased in gradually to allow time for methodologies and data to improve and mature to properly support this disclosure to satisfy its original intent. We suggest qualitative disclosure rather than quantitative metrics would be appropriate at this time.

We agree that these metrics are relevant for Group and consolidated entities as there needs to be some balance considering the reporting burden against further disclosure. We note that these requirements need to distinguish between an entity with material emissions and those without, including an emissions threshold to guide which entities should be reported on.

We suggest a phased implementation for many of these metrics i.e. Scope 3 and physical and transition risk as well as scenario analysis relative to the maturity and ability of the industry to disclose against these requirements. Were these to be implemented now, it is unknown if they could be fulfilled with any degree of confidence owing to data and methodological issues.

We note that some of these disclosure requirements will need to be refined for sector relevance. These may be better suited as part of industry-specific requirements or the ISSB could provide flexibility based on the industry of the reporting entity. For example, the requirement to disclose the amount and percentage of assets or business activities vulnerable to physical risks (paragraph 21(c)) should allow a bank to make this disclosure with reference to its lending portfolio and income.

In general, we note that the list of metrics is expansive (including industry specific metrics) and suggest a simple set of core metrics to begin with. This can then expand as the market matures in capability and as the use case for the various metrics emerges.

If there is not a clear and known current use case for a metric to be reported, we suggest it should form part of voluntary rather than mandatory disclosure requirements. It would be helpful to have guidance that demonstrates the relevance of the metrics required and their use cases.

We suggest that the remuneration disclosure (paragraph 21(g)) would be more appropriate for inclusion in [draft] IFRS S1 as an overarching disclosure requirement rather than a specific climate-related disclosure. It is more likely that executives will have general sustainability-linked remuneration requirements rather than specific climate-related requirements.

(b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

No, we believe that the Exposure Draft already includes sufficient metrics, if not too many. Refer to response to question 9(a) above where we suggest a simpler, core set of required metrics be mandated initially.

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

We agree with requirement to use the GHG Protocol but note that the GHG Protocol does not give sufficient guidance on Scope 3 financed and facilitated emissions methodologies. These methodologies are still evolving outside of the GHG Protocol, and there may be value in allowing methodologies to mature further before requiring aligning with a specific methodology.

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

We disagree with the proposal to provide aggregated greenhouse gases. We suggest that entities should report relevant gases where required for regulatory purposes, or where it's otherwise considered material. However, we make an exception for Scope 3 financed and facilitated emissions, and this should be reported at a consolidated CO2 equivalent level acknowledging that not all gasses will be relevant for all industries financed.

(e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for: (i) the consolidated entity; and (ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

Yes, we agree with the requirement to disclose Scope 1 & 2 separately at the consolidated entity level but a CO^2-e materiality threshold should be implemented for other entities to reduce reporting burden.

(f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

Materiality thresholds need to be further defined and the market needs further time to mature in relation to Scope 3 requirements, but we broadly agree with this proposed inclusion.

Question 10 – Targets

(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

We broadly agree with the scope and purpose of the disclosures relating to emission-reduction targets.

(b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

We suggest that the definition is too broad and subject to interpretation. We suggest the ISSB refer to a more specific agreement of body e.g. United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement or Glasgow Agreement.

Question 11 – Industry-based requirements

(a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

We broadly agree with this approach.

(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

We note that some industries are yet to be covered and this should be taken into consideration. Trajectories and climate science dictate that all industries need to do their part and these Standards therefore need to work towards covering all of them.

(c) (c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

We broadly agree with the proposed amendments.

(d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

The cross-industry requirement to disclose Scope 3 emissions is sufficient but acknowledgement and allowance around the dependence of financial institutions' disclosures on other companies' reporting and data needs to be made, particularly where subsidiaries, project finance and joint ventures are relevant.

We are concerned with the mandating of metrics in their current form for several reasons:

- Data access, quality, availability will continue to be a challenge for the foreseeable future.
- Metrics have not been broadly used and it will take time to implement these measures.
- We do not believe that a case has been made for the utility of all proposed metrics. We have experience that although some preparers do disclose the required metrics under existing standards, users may not be considering this data in their decision making. We consider this an unproductive use of preparers' limited resources.

We therefore suggest that a careful consideration of each metric be undertaken with a focus on the use case for all of the metrics listed in the industry-based requirements. We further suggest that a phased approach be applied to the implementation of industry specific metrics through sequential pilots that are incorporated into the ISSB's forward plan, giving regard to the use case and cost vs. benefit of each metric.

(e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

We broadly agree with the industries classified as 'carbon-related' in the proposals for commercial banks. However, since different jurisdictions may have different sector definitions and given the sector focus for commercial banks, we would appreciate more detailed guidance on the sectors (for example, homebuilding vs. real estate management and development) to aid comparability, as well as further detail on possible sectoral granularity for the climate-related disclosures.

We do not believe that the Global Industry Classification Standard (GICS) aligns to the Australian equivalent Australia and New Zealand Standard Industry Classification (ANZSIC). Therefore, we suggest that the Standard provides for the use of jurisdictional codes to match reporting with data availability.

Additionally, we suggest that alignment with other standards and framework setters is important. It appears that the current ISSB list of carbon-related sectors is not fully aligned with the October 2021 TCFD or the NZBA classifications. For example, TCFD specifies agriculture and capital goods as carbon-related sectors but these are not listed in the commercial banks list.

(f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

We broadly agree with the intent to disclose intensity-based and absolute financed emissions. We also note that intensity-based financed emissions need to be further defined if they are to achieve their aim of being comparable. Furthermore, depending on the type of intensity, there needs to be acknowledgement that obtaining the denominator for intensity-based measures can be difficult as they are not always publicly disclosed and require a significant amount of data collection (if for physical based intensity measures). As a result, there may need to be a phased approach, or this disclosure may need to be reassessed if the data does not exist for these mandatory disclosures.

(g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

We broadly agree with the proposal to require disclosure of the methodology used to calculate financed emissions. However, we would expect that it should be sufficient to provide a summary and a link or reference to a separate detailed methodology document as methodologies may be too detailed and lengthy for inclusion in the main financial reporting package.

(h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

We broadly agree with this proposal and the allowance of a choice of methodology, provided that the details, assumptions and methodology are disclosed.

(i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

We broadly agree with the proposed disclosure as it provides information on the potential exposure to assets that may be most heavily affected by climate policies or other changes in the macroeconomic environment.

(j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

We broadly agree with the intent of industry-based disclosure requirements but note a number of comments made around other disclosures that would need to be addressed and incorporated into specific industry-based disclosures (e.g. acknowledgement of the difficulties in collecting Scope 3 emissions for financial institutions).

We would appreciate further guidance on this. For indicators like FN-CB-3 (as referred to in Appendix B of [draft] IFRS S2) which relate to financed emissions, we would appreciate the focus to be on the balance sheet first and then expand to facilitated or off balance sheet emissions (as methodologies for this are yet to evolve).

We do not agree with the proposal to report for each industry by asset class as this will be particularly burdensome. We would also suggest that this information should be able to be reported at an aggregated gross emissions level, not requiring emissions to be segmented into Scope 1, 2 or 3, but that report preparers disclose which Scopes are included in the aggregate sectoral emissions reported.

(k) Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

We do not believe any additional industry-based requirements are necessary at this time. Further, we support a simple set of metrics to begin with that can be refined and expanded as reporting matures.

(l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

We do not believe that the Global Industry Classification Standard (GICS) aligns to the Australian equivalent (ANZSIC). Therefore, we suggest the Standard provides for the use of jurisdictional codes.

Question 12 – Costs, benefits and likely effects

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

We believe that the benefits of implementing the proposals include providing clearer information to investors and other stakeholders, which may include regulators. This information will support better decision making.

We believe that implementing the proposals will entail significant implementation costs. Implementation costs will be significant in absolute terms for large entities and significant in relative terms for smaller entities.

Refer to our response to question 16(a) to [draft] IFRS S1 in Appendix 1, as those comments apply equally to the implementation of [draft] IFRS S2.

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

Refer to our response to question 16(b) to [draft] IFRS S1 in Appendix 1, as those comments apply equally to the implementation of [draft] IFRS S2.

Question 13 – Verifiability and enforceability

Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

We note the challenges with assurance related to scenario models and Scope 3 emissions, given data availability and quality, the quantum of inputs, and the level of estimation and variability in assumptions. Clear disclosure of assumptions, limitations and uncertainties is important to enable assurance to be provided, and for users to understand the information.

Question 14 – Effective date

(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?

We suggest that the ISSB take additional time to consider the issues pertaining specifically to climate disclosures and, if required, consider a delay between the effective dates of [draft] IFRS S1 and [draft] IFRS S2.

(b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

There are several complexities facing banks that would need to be resolved to enable reporting in compliance with the requirements of [draft] IFRS S2. These include:

- Information is not as readily available, complete, or reliable for some of the required metrics and disclosures as it is for others
- The need for time to upscale human resource and systems capability
- Banks are highly dependent on customers reporting of customer Scope 1 and 2 emissions in order for banks to report accurately on their Scope 3 emissions. Such reporting is nascent.

We suggest that the Standard will require a two to three-year process to implement and consideration be given to a phased implementation for some disclosures, including Scope 3 emissions reporting and scenario analysis.

(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

Refer to our response to question 14(b) above. We believe that a phased implementation could be appropriate, with disclosures such as Scope 3 emissions and scenario analysis being implemented at a later stage than other disclosures. We believe that certain disclosure requirements could be applied earlier than others, for example those related to governance and strategy (excluding quantitative scenario analysis). We believe that for certain disclosures, information could be provided on a qualitative basis to begin with, and progress to quantitative disclosures over time.

Question 15 – Digital reporting

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

No further comments.

Question 16 – Global baseline

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Refer to our response to question 14 to [draft] IFRS S1 in Appendix 1. Those comments apply equally to [draft] IFRS S2.

Question 17 – Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

Reporting entities would benefit from having illustrative examples setting out methodologies and calculations, for example enterprise value and the calculation of financed emissions.

29 July 2022

International Sustainability Standards Board
Columbus Building
7 Westferry Circus, Canary Wharf
London, E14 4HD

By email: commentletters@ifrs.org

Dear Board Members

Consultation on Proposed Standards

We welcome the opportunity to provide feedback to the International Sustainability Standards Board (ISSB) on the *Exposure Draft on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information ([Draft] IFRS S1) and Exposure Draft IFRS S2 Climate-related Disclosures ([Draft] IFRS S2).*

We are an Australian superannuation fund and large global investor, with a commitment to managing investment risks on behalf of our 111,000 members. We identify climate change as a key investment risk, and are actively pursuing a target to be carbon neutral by 2030.

A lack of consistent and reliable emissions reporting is a key challenge in managing the efficient reduction of carbon and greenhouse emissions in our investment portfolio.

We welcome this proposal by the IFRS Board, and commend your acceleration of transparency that climate reporting will bring to investors and stakeholders in this critical transitionary period.

On behalf of NGS Super,

Dylan Nguyen Chartered Accountant
Senior Manager, Finance

Maryanne Jardine Chartered Accountant
Senior Manager, Investment Operations

Appendix A

Feedback on Exposure Draft on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (S1)

Question	NGS Super Position
Overall approach	
Q1(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer? Q1(b) Do you agree that the proposed requirements set out in the ED meet its proposed objective (para 1)? Why/why not? Q1(c) Is it clear how the proposed requirements set out in the ED would be applied together with other IFRS Sustainability Disclosure Standards, INCLUDING THE [DRAFT] IFRS s2 Climate-related Disclosures? Why/why not? If not, what aspects of the proposal are unclear?	(a) Yes (b) Yes (c) Yes
Q1(d) Do you agree that the requirements proposed in the ED would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposal? If not, what approach do you suggest and why?	• Yes. • It is imperative that there is a suitable basis for independent external assurance to determine if the entity has complied. • Investors need to be able to rely on the assurance performed, just as investors are able to rely on the audit and assurance performance in the annual audit of financial statements.

Question	NGS Super Position
	• The impact of inaccurate or immature risk assessment and governance processes and data gathering, whether intentional or unintentional is a key risk to the value of these disclosures. • Auditors will also serve to standardise quality through experience and be vital in developing cross entity benchmarking around internal processes and maturity levels from engagements across clients and industry
Objective	
Document reference: ED Para1-7, Appendix A	
Q2(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why/why not?	• No. • The term "significant" is not consistently understood. We would propose that the term significant is replaced with "material" so that material sustainability-related risks and opportunities are in scope. • Guidance by way of examples on how "material sustainability-related risks and opportunities" are determined, would be a useful addition to the ED.
Q2(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why/why not? If not, do you have any suggestions for improving the definition to make it clearer?	• No. • There is currently no definition of sustainability provided within the ED. Whilst we understand the ISSB may have reservations with providing a definition of sustainability, we consider a clear definition of sustainability is required for the specific context of issuing sustainability disclosure standards. ISSB may need to reconsult on such definitions to ensure consistency.
Scope	
Document reference: ED Para8-9	
Q3. Do you agree that the proposals in the ED could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?	• As Australia already adopts IFRS Accounting Standards, we have no specific response to this question.
Core Content	
Document reference: ED Para11-35	

Question	NGS Super Position
Q4(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why/why not?	• The disclosure objectives align with the TCFD and are considered appropriate. It formalises the requirement to monitor and manage sustainability risk as a top down endeavour. • The listing of defined "resources" serves as a good starting point for areas of consideration and analysis. • We appreciate the specific guidance around metrics provided in the Climate ED. • We recognise that the risk that less mature, or more heavily impacted entities, industries and even countries may downplay the impacts and likelihood of sustainability risks either through lack of understanding or through bias. A consistent set of metrics that can be collated cross industry will improve transparency around reporting and allow comparability against norms through benchmarking.
Q4(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why/why not?	• Yes. • We understand the view that some elements of strategy relating to opportunities will be commercially sensitive. • We specifically challenge any suggestion that netting off risks relating to climate against opportunities relating to climate is appropriate. Disclosures of risks need to be made separately from disclosure of commercial opportunities. Netting is not an appropriate way to manage commercial sensitivities relating to climate risk opportunities.
Reporting entity	
Document reference: ED Para 37-41	
Q5(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?	• Yes
Q5(b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what	• Yes

Question	NGS Super Position
further requirements or guidance would be necessary and why?	
Q5(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?	• Yes, and the requirement is critical for identifying climate risks alongside financial risks.
Connected information	
Document references: ED para 42-44	
Q6(a). Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?	• Yes • The ability to report on opportunities of the path not taken is subjective and difficult to quantify. There will be a tendency to downplay the sustainability impacts on financial statements. Guidance on a format for disclosure would be helpful.
Q6(b). Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?	
Fair presentation	
Document reference: ED para 45-55	
Q7(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information clear? Why or why not?	No specific response.
Q7(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the ED.	No specific response.
Materiality	
Document reference: ED Para 56-62	

Question	NGS Super Position
8(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why/why not?	• As we have noted in our response to question 2, the definition and application of materiality lacks clarity. • Further, we note paragraph 58 stipulates that materiality will be entity specific. We also consider it important to clarify that it will also be specific to the particular sustainability matter.
8(b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity including over time? Why/why not?	• We consider the breadth of sustainability-related risks and opportunities should be identified through the stakeholder engagement process we suggest in our responses to questions 1 and 7. • This question highlights the need for clarification between the identification of significant sustainability-related risks and opportunities and the identification of information material to primary users.
8(c) Is the ED and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why/why not? If not, what additional guidance is needed and why?	• We consider the illustrative guidance document to be helpful. However, we note that the definition and application of materiality are dependent on the definition and application of significance in the context of sustainability-related risks and opportunities. • Likewise, paragraph IG6 could increase its emphasis on the importance of qualitative factors in the materiality assessment of sustainability-related financial information.
8(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the ED if local laws or regulations prohibit the entity from disclosing that information? Why/why not? If not, why?	• We consider the proposed exemption is reasonable.
Frequency of reporting	
Document reference: ED Para 66-71	
Q9. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statement to which they relate? Why/why not?	• Yes. • We specifically challenge and refute the concerns raised by reporting entities that there is a lack of available and timely data for certain disclosures. • Climate risks can only truly be appraised when reporting entities prioritise the disclosure of the climate risks in full. The data can be prioritised if the willpower exists. • We challenge the suggestion of transitional arrangements. And we see such suggestions as genuine attempts to stall this process and to stall the delivery of transparent climate related information to stakeholders.
Comparative information, sources of estimation and outcome uncertainty, and errors	

Question	NGS Super Position
Document reference: ED Para 63-65, 79-83 and 84-90	
Q11(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?	(b) We support the requirement to disclose the metric in comparative reports. (c) We believe that most of the differences will be the result of ‘better’ estimation methods. The rate of change will be significant in respect to methodology and modelling development and improvement as well as data acquisition, quality, and storage. These developments may enable more targeted scenario analysis or emissions factors in subsequent reporting periods and therefore could lead to a disconnect in metrics from one reporting period to the next. We acknowledge the premise that each annual disclosure is made with the best possible knowledge and tools available at the time. And we consider it appropriate to recalculate previous disclosures based on evolved techniques and data. Such recalculation would not constitute an error. The recalculation could be outlined in the disclosure and would provide real value to stakeholders for year on year comparison.
Q11(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?	
Q11(c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity’s financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?	
Statement of compliance	
Document reference: ED Para 91-92	
PREAMBLE not replicated here refer to p19 ED Q12 Do you agree with this proposal? Why/why not? If not, what would you suggest and why?	• In the domestic implementation of the ISSB standards, the local legal context needs to be considered. We suggest clear guidance from domestic regulators, and if necessary regulatory support, may be needed to ensure that entities can produce the particular forward-looking statements required by the ISSB standards. • It will be important that liability risks do not undermine comprehensive and good faith implementation of the ISSB standards and appropriate accountability for disclosure.
Effective Date	
Document Reference: ED Appendix B	
Q13(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be	• Three (3) months after the standard is finalised. eg If finalised 1 October 2022, commencement could occur for reporting periods commencing from 1 January 2023 onwards.

Question	NGS Super Position
required by entities applying the proposals, those using the sustainability-related financial disclosures and others.	• There has been significant development of climate related disclosures in other major markets, and as a result, it cannot be a surprise to Australian reporting entities that climate related disclosures are valuable to stakeholders. • Many Australian reporting entities are already reporting climate related information under US, NZ and European requirements. • It is expected that some reporting entities will advise of the difficulties, costs and complexities of such reporting. We empathise with these perspectives and equally identify those challenges views as being less significant that the climate related risks that stakeholders are experiencing now, and those risks are escalating quickly. • The value of these disclosures is significant to solving for climate related risks and implementation needs to be expedited. • We strongly believe that the reporting outlined in this draft standard is achievable now. • Reporting entities can choose to prioritise the collation of the data into the requirements set out in the standard. We strongly believe that the expertise and capacity to produce the reporting is available and that there is sufficient time to develop and implement the processes required to achieve reporting for a 1 January 2023 commencement (assuming comparatives are not required – as per our views expressed at Q13(b). • We view requests for structured transition periods as requests for denying stakeholders transparency into a reporting entity's climate risks. We ask the ISSB to assess such requests with professional scepticism.
Q13(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?	• Yes, this is critical to enabling an effective date for application to reporting periods commencing from 1 January 2023.
Global baseline	
Preamble: The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards. Q14. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in	• No • Differences may arise due to different domestic legislative rules however this should not be an the setting of a global baseline, or an impediment to collection and reporting.

Question	NGS Super Position
this manner? If so, what aspects and why? What would you suggest instead and why?	
Digital reporting	
Q15 Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?	• Digital reporting is valuable and we see no road blocks to implementation of this in Australia.

Appendix B

Feedback on ISSB ED S2 – climate related disclosures

Question	AUS Voice Draft Position
Cross industry metric categories and GHG emissions	
Q9 (f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?	• Yes. This is extremely valuable to stakeholders and investors. •
Verifiability and enforceability	
Q13 – Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.	• We note the challenges with assurance related to scenario models and Scope 3 emissions, given the quantum of inputs, level of estimation and variability in assumptions. Clear disclosure of assumptions, limitations and uncertainties is particularly important to enable assurance to be undertaken, and for users to understand the information.
Effective Date	
Q14 (a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?	• Both can be achieved at the same time.
Q14 (b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.	• Refer to our response to Q13 of [DRAFT] IFRS S1.
Q14 (c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could	• Scope 1 and 2 emissions data is available and able to reported now – if the willpower exists to do so.

Question	AUS Voice Draft Position
disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?	• Scope 3 emissions reporting will inevitably require reporting entities to source data, make reasonable assumptions, and perform calculations to meet the disclosure requirements. This will require some capacity and willpower to prioritise, and we see adequate capacity and expertise available to enable a 1 January 2023 implementation. We view with skepticism concerns that are raised in relation to reporting entities needing long lead times to meet the disclosure requirements.
Global baseline	
Q16 Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?	• No. • Industry specific metrics are valuable to investors and stakeholders and are important to managing climate risks. We feel that good corporate stewardship in 2022 requires this information to already be known to decision makers within reporting entities. And we therefore see the exposure draft as sharing key risk information with investors and stakeholders.

18 July 2022

International Sustainability Standards Board
Columbus Building
7 Westferry Circus, Canary Wharf
London, E14 4HD

By email: commentletters@ifrs.org

Copy to: Australian Accounting Standards Board by email: standard@aasb.gov.au

Dear Board Members

Consultation on Proposed Standards

We welcome the opportunity to provide feedback to the International Sustainability Standards Board (ISSB) on the *Exposure Draft on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information ([Draft] IFRS S1) and Exposure Draft IFRS S2 Climate-related Disclosures ([Draft] IFRS S2).*

This submission collectively represents the voice of 20 peak professional, industry and investor bodies in Australia who have come together to prepare this joint response to the two exposure drafts.

The peak Australian bodies together represent more than 400 companies, approximately 300 investors with US$33 trillion assets under management, and 500,000 business and finance professionals. We consider clear, transparent, comprehensive and comparable disclosure of sustainability-related information to be part of the foundation of a well-functioning global financial system.

Comprehensive global baseline

We fully support a global approach to the development of sustainability disclosure standards and are supportive of the ISSB being the global body to issue these standards.

The overarching goal should be a globally consistent, comparable, reliable, and verifiable corporate reporting system to provide all stakeholders with a clear and accurate picture of an organisation's ability to create sustainable value over time.

We consider it critical that the ISSB and other jurisdictions developing sustainability standards take a coordinated approach to avoid regulatory and standard setting fragmentation by aligning key definitions, concepts, terminologies, and metrics on which disclosure requirements are built.

Collaboration and coordination between sustainability disclosure initiatives and financial accounting standard-setting is important. In our opinion the ISSB is best placed to achieve this given its connection to the International Accounting Standards Board (IASB).

Many of the peak Australian bodies are also affected by the development of mandatory climate-related reporting within New Zealand, the United States of America and Europe. We consider it crucial for entities to be able to collect data in an efficient manner and to report in a way which meets both local and global requirements whilst avoiding duplication.

The consolidation and harmonisation of existing frameworks is a key objective of the ISSB. Many entities in Australia report under existing sustainability frameworks. We therefore consider it critical that the comprehensive global baseline provides entities with clarity about how the ISSB standards interact and overlap with broader sustainability disclosure frameworks, such as the Global Reporting Initiative (GRI).

Climate first approach

Climate represents a first order risk to the Australian economy, the financial system and investors. We support the Paris Agreement and its objective to take into account the needs of a just transition while achieving a net zero emissions economy and resilient Australia.

To avoid large-scale financial risks from a disorderly transition to net zero emissions and the physical impacts of climate change, clear and comparable disclosure of sustainability-related and in particular climate related information is one of the foundational building blocks of a well-functioning global financial system.

We support the alignment of [Draft] IFRS S2 with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

Scalable and practical implementation of best practice

There has been very significant and rapid development of climate-related disclosure schemes in other major markets. As a result, we consider that some Australian entities are reasonably mature and reasonably prepared for the introduction of these new disclosure standards, such as large globally connected listed entities and heavy emitters, whereas many others will require time to scale up their expertise and capacity.

Further, for certain disclosures, the current availability and reliability of data and methodologies may present short-term challenges. Collectively, we are likely to encourage prompt and comprehensive adoption of [Draft] IFRS S2 by entities in our region. However, we suggest finite and structured transition periods will be required for certain specific disclosures.

We recommend consideration be given to a phased approach to adoption across entity types, sectors and/or sizes.

Assurance

There is a critical role for independent external assurance to lend credibility to sustainability information.

In our view, the goal should be for investors and other stakeholders to rely on the assurance performed and the integrity of the information provided, similar to how they rely on audited financial statements. A consistent baseline is needed for there to be trust and confidence in the information provided and to avoid confusion or misunderstanding amongst investors and other stakeholders. We believe certain aspects of the current Exposure Drafts could be improved upon to better encapsulate suitable criteria that could underpin the appropriate use of limited and reasonable assurance engagements.

Domestic implementation considerations

In the domestic implementation of the ISSB standards, the local legal context needs to be considered. We suggest clear guidance from domestic regulators, and if necessary regulatory support, may be needed to ensure that entities can produce the particular forward-looking statements required by the ISSB standards.

It will be important that liability risks do not undermine comprehensive and good faith implementation of the ISSB standards and appropriate accountability for disclosure.

Detailed responses to questions

Our detailed responses to key questions in the Exposure Drafts are included in this submission as follows:

Appendix A - [Draft] IFRS S1 on page 4

Appendix B - [Draft] IFRS S2 on page 12

Appendix C – AASB ED 321 on page 14

Many of the peak Australian bodies have also made separate submissions, addressing their specific stakeholder views and issues.

Thank you for the opportunity to respond to this consultation. We would be happy to discuss any of our comments in more detail with you. Please contact Emma Penzo on Emma.Penzo@ausbanking.org.au and Karen McWilliams on karen.mcwilliams@charteredaccountantsanz.com email if you have any questions.

The peak Australian bodies who are signatories to this submission (in alphabetical order).

Australian Banking Association	**Australian Council of Superannuation Investors**	**Australian Financial Markets Association**	**Australian Finance Industry Association**
Australian Institute of Company Directors	**Australasian Investor Relations Association**	**Australian Shareholders Association**	**Australian Sustainable Finance Institute**
Chartered Accountants Australia and New Zealand	**CPA Australia**	**Customer Owned Banking Association**	**Engineers Australia**
Financial Services Council	**Governance Institute of Australia**	**The Group of 100**	**Institute of Public Accountants**
Insurance Council of Australia	**Investor Group on Climate Change**	**Responsible Investment Association Australasia**	**UN Global Compact Network Australia**

Appendix A

Exposure Draft on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (S1)

Question	Peak Australian Bodies Position
Overall approach	
Q1(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer? Q1(b) Do you agree that the proposed requirements set out in the ED meet its proposed objective (para 1)? Why/why not? Q1(c) Is it clear how the proposed requirements set out in the ED would be applied together with other IFRS Sustainability Disclosure Standards, INCLUDING THE [DRAFT] IFRS S2 Climate-related Disclosures? Why/why not? If not, what aspects of the proposal are unclear?	• Whilst we acknowledge the requirement to identify and disclose material information about all of the sustainability-related risks and opportunities is reasonably clear, there are different understandings as to how this could be interpreted. • In our opinion, the Exposure Draft (ED) currently attempts to provide both a conceptual framework for sustainability-related financial disclosures and guidance for disclosures in the absence of a specific IFRS Sustainability Disclosure Standard. • We suggest they be separated into separate documents if possible, alternatively that clarity between them is improved if within the same document. • We are particularly concerned that the current process for the identification of significant sustainability-related risks and opportunities directs the preparer to existing disclosures standards or frameworks. • The identification by the reporting entity of its significant sustainability related issues should initially incorporate a broad stakeholder engagement process, including internal and external stakeholders beyond the primary users and engagement with its governing body. • The entity may then also consider other existing guidance, including sector specific information to ensure significant matters have not been overlooked. • The entity would then consider these issues with reference to its enterprise value and usefulness of information to primary users using IFRS Sustainability Disclosure Standards or alternative non-mandatory guidance if a specific one does not exist. • We consider the broad stakeholder engagement process to be critical as primary users are interested in sustainability issues which affect a broad range of stakeholders as these are the most likely to in turn affect enterprise value. Likewise, IFRS Sustainability Disclosure Standards may exist for certain thematic areas which are not significant to the entity.
Q1(d) Do you agree that the requirements proposed in the ED would provide a suitable basis for auditors and regulators to determine whether an entity has complied	• There is a critical role for independent external assurance to provide credibility to sustainability information.

Question	Peak Australian Bodies Position
with the proposal? If not, what approach do you suggest and why?	• In our view, the goal should be for investors and other stakeholders to rely on the assurance performed and the integrity of the information provided, in a similar way to how they rely on audited the financial statements. • A consistent baseline is needed for there to be trust and confidence in the information provided and to avoid confusion or misunderstanding amongst investors and other stakeholders. • We believe certain aspects of the current draft of this ED could be improved upon to better encapsulate suitable criteria that could underpin the appropriate use of limited and reasonable assurance engagements. • In particular, we draw attention to our comments in response to questions 2, 7 and 8 covering the scope and boundary of the ED.
Objective	
Document reference: ED Para1-7, Appendix A	
Q2(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why/why not?	• We note the requirement to '*disclose material information about all of the significant sustainability-related risks and opportunities*.' • We provide feedback on 'materiality' in our response to question 8. Further we note that the term 'significant' is less well understood. We recommend consideration be given to providing greater clarity of the definitions and differences between significant and material in [DRAFT] IFRS S1. It would be useful to provide illustrative guidance.
Q2(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why/why not? If not, do you have any suggestions for improving the definition to make it clearer?	• There is currently no definition of sustainability provided within the ED. Whilst we understand the ISSB may have reservations with providing a definition of sustainability, we consider a clear definition of sustainability is required for the specific context for the purposes of issuing sustainability disclosure standards. ISSB may need to reconsult on such definitions to ensure consistency.
Scope	
Document reference: ED Para8-9	
Q3. Do you agree that the proposals in the ED could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?	• As Australia already adopts IFRS Accounting Standards, we have no specific response to this question.

Question	Peak Australian Bodies Position
Core Content	
Document reference: ED Para11-35	
Q4(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why/why not?	• The disclosure objectives align with the TCFD and are considered appropriate.
Q4(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why/why not?	• In respect to the disclosure requirements for governance, strategy, risk management and metrics and targets, we consider the requirements to be broadly appropriate to their stated objectives. • However, in respect to the strategy disclosure requirement, we note that as climate change response matures, some elements of strategy related to opportunities will be commercially sensitive, and to some elements of risk. • To this end, the ISSB could consider making provision for the type of disclosure made under this pillar.
Reporting entity	
Document reference: ED Para 37-41	
Q5(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?	• We agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements.
Q5(b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?	• No specific response
Q5(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?	• Yes, we agree with the proposed requirement for identifying the related financial statements. We consider this important for connectivity between the financial and sustainability related disclosures.

Question	Peak Australian Bodies Position
Connected information	
Document references: ED para 42-44	
Q6(a). Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not? Q6(b). Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?	• We suggest the need for guidance to assist companies understand how to identify and achieve/demonstrate connectivity between the related risks and opportunities. • Additionally, we support the ISSB's Memorandum of Understanding with the Global Reporting Initiative (GRI) and encourage clarity for entities as to how the GRI interacts with the ISSB. Further, the ISSB should consider similar arrangements with, amongst others, the Principles for Responsible Banking, the Principles for Responsible Investing and the UN Global Compact Communication on Progress.
Fair presentation	
Document reference: ED para 45-55	
Q7(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information clear? Why or why not?	• Our response to question 7 should be considered with reference to our earlier responses to questions 1 and 2. Paragraph 51 refers entities to IFRS sustainability standards and other information to determine the risks and opportunities that influence decision making. As we note in our response to question 1, we consider this process should be separate to disclosure standards, with disclosure topics in existing standards and frameworks instead used to confirm no major issues have been overlooked. • We consider the open-ended nature of paragraphs 51-54 will create challenges for compliance and assurance. We are particularly concerned that paragraph 51 states that 'an entity **shall** consider' and lists items in a) to d) which are unspecified and external to the ISSB and IFRS Foundation. • Likewise, paragraph 54 is similarly broad and open-ended in its requirements to consider many unspecified sources of information.
Q7(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why?	• As noted above, the current drafting presents these 'sources of guidance' as a requirement for entities to be considered in their entirety, despite these not all being specified in full. • We do not consider this appropriate for the standard and instead recommend that they are framed as sources of guidance that management can use as part of their process to determine the significant sustainability risks and opportunities and when making their judgements in identifying disclosures.

Question	Peak Australian Bodies Position
Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the ED.	• We suggest that there may be some additional sources of guidance to assist entities in their stakeholder engagement process to determine the significant issues.
Materiality	
Document reference: ED Para 56-62	
8(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why/why not?	• As we have noted in our response to question 2, the definition and application of materiality lacks clarity. • Further, we note paragraph 58 stipulates that materiality will be entity specific. We also consider it important to clarify that it will also be specific to the particular sustainability matter.
8(b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity including over time? Why/why not?	• We consider the breadth of sustainability-related risks and opportunities should be identified through the stakeholder engagement process we suggest in our responses to questions 1 and 7. • This question highlights the need for clarification between the identification of significant sustainability-related risks and opportunities and the identification of information material to primary users.
8(c) Is the ED and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why/why not? If not, what additional guidance is needed and why?	• We consider the illustrative guidance document to be helpful. However, we note that the definition and application of materiality are dependent on the definition and application of significance in the context of sustainability-related risks and opportunities. • Likewise, paragraph IG6 could increase its emphasis on the importance of qualitative factors in the materiality assessment of sustainability-related financial information.
8(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the ED if local laws or regulations prohibit the entity from disclosing that information? Why/why not? If not, why?	• We consider the proposed exemption is reasonable.
Frequency of reporting	
Document reference: ED Para 66-71	
Q9. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statement to which they relate? Why/why not?	• We agree in principle that sustainability-related financial disclosures are to be provided at the same time as the financial statement to which they relate.

Question	Peak Australian Bodies Position
	• However, this aim is restricted by the lack of available and timely data for certain disclosures. The market will drive progress to improve this, but it will take time for some entities to develop the necessary capability. • We suggest that time-bound transitional arrangements at the national level will need to be put in place until such a time when both reports can be released concurrently.
Comparative information, sources of estimation and outcome uncertainty, and errors	
Document reference: ED Para 63-65, 79-83 and 84-90	
Q11(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed? Q11(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives? Q11(c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?	• The requirements to update comparative information in paragraphs 63 and 64 don't appear to distinguish between an 'error' and a 'better estimate'. • In respect to statements made in error, we support the requirement to disclose the metric in comparative reports. • However, we believe that most of the differences will be the result of 'better' estimation methods. The rate of change will be significant in respect to methodology and modelling development and improvement as well as data acquisition, quality, and storage. These developments may enable more targeted scenario analysis or emissions factors in subsequent reporting periods and therefore could lead to a disconnect in metrics from one reporting period to the next. • Given the premise that each annual disclosure is made with the best possible knowledge and tools available at the time, we consider it may be reasonable to recalculate previous disclosures based on evolved techniques and data in some but not all circumstances.
Statement of compliance	
Document reference: ED Para 91-92	
PREAMBLE not replicated here refer to p19 ED Q12 Do you agree with this proposal? Why/why not? If not, what would you suggest and why?	• In the domestic implementation of the ISSB standards, the local legal context needs to be considered. We suggest clear guidance from domestic regulators, and if necessary regulatory support, may be needed to ensure that entities can produce the particular forward-looking statements required by the ISSB standards. • It will be important that liability risks do not undermine comprehensive and good faith implementation of the ISSB standards and appropriate accountability for disclosure.

Question	Peak Australian Bodies Position
Effective Date	
Document Reference: ED Appendix B	
Q13(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.	• An effective date would need to consider the financial reporting cycle of entities; the nascency of the reporting and the need to build capability by preparers. • There has been very significant and rapid development of climate-related disclosure schemes in other major markets. As a result, we consider that whilst some Australian entities are reasonably mature and in a better state of preparedness for the introduction of these new disclosure standards, such as large globally connected listed entities and heavy emitters, whereas many others will require some time to scale up their expertise and capacity. • Further, for certain disclosures, the current availability and reliability of data and methodologies may present short-term challenges. Collectively, we are likely to encourage prompt and comprehensive adoption of [Draft] IFRS S2 by entities in our region. However, we suggest finite and structured transition periods will be required for certain specific disclosures. • By way of example, we highlight the phased transition period for the new prudential standard CPS511 (Remuneration) issued by the Australian Prudential Regulatory Authority (APRA). The implementation was phased by size of entity. For the largest entities, the obligation to comply commenced with the beginning of the entity’s financial year. • We recommend consideration be given to a phased approach to adoption across entity types, sectors and/or sizes.
Global baseline	
Preamble: The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards. Q14. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?	• We fully support a global approach to the development of sustainability disclosure standards and are supportive of the ISSB as the global body to issue these standards. • The overarching goal should be a globally consistent, comparable, reliable, and verifiable corporate reporting system to provide all stakeholders with a clear and accurate picture of an organisation’s ability to create sustainable value over time. • We consider it critical that the ISSB and other jurisdictions developing sustainability standards take a coordinated approach to avoid regulatory and standard setting fragmentation by aligning key concepts, terminologies, and metrics on which disclosure requirements are built. • Collaboration and coordination between sustainability disclosure initiatives and financial accounting standard-setting is important. In our opinion the ISSB is best placed to achieve this given its connection to the International Accounting Standards Board.

Question	Peak Australian Bodies Position
	• Many of the peak Australian bodies are also affected by the development of mandatory climate-related reporting within New Zealand the United States of America and Europe. We consider it crucial for entities to be able to efficiently collect data and to report in a way which meets both local and global requirements whilst avoiding duplication. • Consolidation and harmonisation of existing frameworks is a key objective of the ISSB. Many entities in Australia report under existing sustainability frameworks and therefore we consider it critical that the comprehensive global baseline also provides entities with clarity about how the ISSB standards interact and overlap with broader sustainability disclosure frameworks, such as the Global Reporting Initiative (GRI).
	• While we support the inclusion of industry-specific metrics, we recommend industry specific metrics should be reviewed and field tested for their usefulness to users of the general-purpose financial statements before their inclusion within the standard.
Digital reporting	
Q15 Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?	• We support digital reporting enablement

Appendix B

Exposure Draft on IFRS S2 – Climate-related Disclosures (S2)

Question	AUS Voice Draft Position
Cross industry metric categories and GHG emissions	
Q9 (f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?	• We support a common purpose for improved comparable and consistent disclosures and support the disclosure of Scope 3 emissions. • We acknowledge that while there are existing data, methods and tools for calculating Scope 3 emissions, there will be challenges in obtaining complete data in the early reporting periods for some reporting entities. • Transitional arrangements for some entities at the national level and clear disclosure of assumptions, limitations and uncertainties in the data will be important in early reporting periods, to enable users to understand the information.
Verifiability and enforceability	
Q13 – Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.	• We note the challenges with assurance related to scenario models and Scope 3 emissions, given the quantum of inputs, level of estimation and variability in assumptions. Clear disclosure of assumptions, limitations and uncertainties is particularly important to enable assurance to be undertaken, and for users to understand the information.
Effective Date	
Q14 (a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?	• The same effective date for both [DRAFT] IFRS S1 and S2 may be achievable.
Q14 (b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.	• Refer to our response to Q13 of [DRAFT] IFRS S1.

Question	AUS Voice Draft Position
Q14 (c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?	• We suggest the need for transitional arrangements at the national level for metrics and targets given the challenges around data availability.
Global baseline	
Q16 Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?	• We fully support a global approach to the development of sustainability disclosure standards and are supportive of the ISSB as the global body to issue these standards. • The overarching goal should be a globally consistent, comparable, reliable, and verifiable corporate reporting system to provide all stakeholders with a clear and accurate picture of an organisation's ability to create sustainable value over time. • We consider it critical that the ISSB and other jurisdictions developing sustainability standards take a coordinated approach to avoid regulatory and standard setting fragmentation by aligning key concepts, terminologies, and metrics on which disclosure requirements are built. • Many of the peak Australian bodies are also affected by the development of mandatory climate-related financial reporting within New Zealand. We consider it crucial for entities to be able to efficiently collect data and to report in a way which meets both local and global requirements whilst avoiding duplication. • While we support the inclusion of industry-specific metrics, we recommend industry specific metrics should be reviewed and field tested for their usefulness to users of the general-purpose financial statements before their inclusion within the standard.

Appendix C

AASB Exposure Draft 321

Question	AUS Voice Draft Position
Scope	
Which Australian entities should be expected to apply the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 and why? Specifically: (a) should the proposals be intended for all for-profit entities in Australia or only to a subset of for-profit entities? and	• We suggest a phased-in approach for adoption would be most appropriate, initially commencing with a subset of for-profit entities. • This reflects the readiness of Australian entities to adopt the proposals, with large, listed entities typically being more mature and prepare. However, some entities will require some time to scale up their expertise and capacity. • We note the ASFI Roadmap recommended the ASX 300 and financial institutions with more than $100 million in consolidated annual revenue to report in line with the TCFD recommendations. • In New Zealand, financial institutions with assets of more than $1 billion and listed issuers with a market price or quoted debt in excess of $60 million are required to produce climate-related disclosures from 2023.
(b) should relief from specific aspects of the proposals be permitted for some entities for which the proposals are deemed burdensome (for example, Scope 3 GHG emissions and scientific and scenario analyses)? If so, which entities and why?	• For certain disclosures, transitional time-periods will be required due to the current availability and reliability of data and methodologies. Collectively, we are likely to encourage prompt and comprehensive adoption of [Draft] IFRS S2 by entities in our region. However, we suggest finite and structured transition periods may need to be considered for the disclosure of scenario analyses, Scope 3 emissions and some specific industry specific metrics. • Likewise, we note that climate is one of the most progressed and measurable thematic sustainability area. Disclosures of other sustainability areas, i.e. under [Draft] IFRS S1, may require more specific transitional arrangements as data and methodologies are typically less well developed
Australian implementation	
Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2?	• In the domestic implementation of the ISSB standards, the local legal context needs to be considered. We suggest clear guidance from domestic regulators, and if necessary regulatory support, may be needed to ensure that entities can produce the particular forward-looking statements required by the ISSB standards. • It will be important that liability risks do not undermine comprehensive and in good faith implementation of the ISSB standards and appropriate accountability for disclosure.

Question	AUS Voice Draft Position
	• It is important to note for domestic implementation that existing National Greenhouse and Energy Reporting (NGER) GHG emissions reporting requirements are for an Australian financial year, 30 June, which may not align with an entity's financial year.
Do the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 align with existing or anticipated requirements, guidance or practice in Australia?	• We consider that directionally the ISSB's ED S2 broadly aligns with the current voluntary adoption of TCFD as encouraged by ASIC Regulatory Guidance RG 247 and the ASX Corporate governance principles and recommendations. • ISSB's ED S1 would be new to the Australian environment. Consideration would need to be given to how it and other subsequent standards would fit in.
AASB's proposed approach	
Do you agree with the AASB's proposed approach to developing sustainability-related financial reporting requirements as a separate suite of standards? As an alternative model, the AASB would value comments as to whether sustainability-related financial reporting requirements should be developed as part of existing Australian Accounting Standards. The alternative model would result in sustainability-related financial disclosures forming part of an entity's general purpose financial statements.7	• Yes, we support a separate suite of standards for sustainability-related financial reporting.
D2 Are the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 in the best interests of the Australian economy?	• We consider clear, comprehensive and comparable disclosure of sustainability-related information to be part of the foundation of a well-functioning global financial system and in the best interests of the Australian economy. • We fully support a global approach to the development of sustainability disclosure standards and are supportive of the ISSB as the global body to issue these standards. • Our submission has raised some key considerations in relation to the two ISSB Exposure Drafts that require resolution.

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29 April 2022

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ED - IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information

I welcome this opportunity to make a submission and would like to comment both generally as well as for specific questions.

General Comment

The development of general purpose financial reporting has been guided for the last 60 years by what we now refer to as conceptual frameworks. This is currently provided by the Conceptual Framework for Financial Reporting, and the concepts underpinning this can be traced to Accounting Research Study No.1, The Basic Postulates of Accounting by Moonitz published in 1961, and Accounting Research Study No. 3, A Tentative Set of Broad Accounting Principles for Business Enterprises by Sprouse and Moonitz published in 1962 by the AICPA. These frameworks identify the objective(s) of financial reporting, the user(s) of financial reports and how the information in financial reports is used. Importantly, this provides fundamental guidance on the scope and content of financial reports. It also provides a discipling mechanism on standard setters and it has contributed to the quality of general purpose financial reports.

Unfortunately, it does not seem that this has been properly considered in the context of what I interpret as an attempt to develop a framework for sustainability reporting. Perhaps the most obvious evidence of this is the emphasis given to the determination of ‘enterprise value’ in the objective of sustainability reporting (para 1). I believe this is a legacy of strategies to legitimize sustainability reporting and identifying its significance (which we are beyond). Problematically it identifies one specific use of sustainability information, and scant consideration is given to whether this is appropriate for users of information more generally, or how it might be used more generally (i.e., too restrictive).

Furthermore when read in conjunction with S2 it suggests the adoption of a ‘stakeholder view’ of the firm, where the purpose of reporting is less well developed. This leads to an unfocused consideration of reporting on ‘sustainability’ generally / widely. Hence the reference to ‘enterprise value’. The relevance of this to users generally is not well established. This contrasts with the Conceptual Framework for Financial Reporting which arguably adopts are 'shareholder view' and identifies the provision of information for decision making as central to the objective of financial reporting.[1] Critically, this provides a broad understanding of the objective of financial reporting, and this could overflow into sustainability reporting. Most problematically, if financial and sustainability reports are prepared on different bases it makes it difficult to envisage how there can be articulation / connectivity.

There are other consequences arising from not understanding who the users of the information are and how the information is used, including:

1. What 'sustainability reporting' should include and the extent to which this can / should be addressed by Sustainability Standards. For example, financial reporting has generally emphasized outcomes from business operations (e.g., sales and earnings and information relevant to assessing future outcomes for earnings) that are (obviously) relevant for decision making. How governance mechanisms are relevant for decision making is less obvious and are not addressed in financial reporting standards. Furthermore, extending sustainability reporting to include governance mechanisms requires assumptions about whether they are necessary and sufficient. A concerning feature of the exposure draft is that it places considerable emphasis on inputs and controls (e.g., governance mechanisms) and there is little rigorous empirical evidence of a causal relation with sustainability outcomes. Most of the governance and management issues addressed in the exposure draft would be more appropriately addressed in domestic legislation, or bodies providing guidance to directors, which would recognize idiosyncrasies in domestic legal and economic environments.
2. How sustainability reporting should address the complication of corporations operating in multiple jurisdictions (industries) with differing legislative requirements (e.g., targets)?
3. How sustainability reporting should address the issue of comparability when corporations adopt different business structures (e.g., leading to differences in Scope 1/2/3 emissions). This might also contribute to corporations adopting different business structures to achieve reporting outcomes (i.e., regulatory arbitrage). There is also the challenge of firms being able to determine volumes of scope 1/2/3 emissions reliably and for this to be verifiable.
4. Finally, the approach seems more consistent with reporting to government, and facilitating aggregation across firms within an economy. This is inconsistent with users and uses more generally and is arguably beyond the scope of general purpose reporting as governments can legislate for the provision of this information. Furthermore, there will be different concerns across jurisdictions. These may be reflective of differences in economic factors but may also be opportunistic as countries endeavor to attracting business (in the same fashion as income tax determination differs and this creates benefits for tax haven).

For these reasons I would recommend that emphasis be given in the objective of sustainability reporting as the 'provision of information for decision making'. This will allow proper consideration of 'users' and 'uses', and allow co-existence of the financial and

[1] This might be argued, but when the Conceptual Framework is considered in conjunction with a range of accounting standards (including but not limited to IFRS 3 Business Combinations, IFRS 9 Financial Instruments, IFRS 11 Joint Arrangements and IFRS 16 Leases) this is more apparent.

sustainability reporting frameworks. It will also provide clearly defined limits on sustainability reporting (not management).

Specific Comments

1. As discussed above I think the focus on 'enterprise value' is problematic, and it would be more appropriate to focus on the 'provision of information for decision making'. This would still lead to consideration of the provision of information about the timing and uncertainty of future cash flows, and this would align well with financial report information. Para 6(b) is consistent with this. Whether this should extend as broadly as suggested other parts of para 6 is doubtful. For example, matters addressed in para 6(a), (c) and (d) most probably belong in the management discussion and analysis rather than the financial report. I am doubtful that this information can be standardized sufficiently for it to addressed with comparability in sustainability standards / reports. This identifies a major constraint in standard setting that seems to have been ignored. The outcome must be the provision of information that is consistent in nature and comparable across firms (not subject to interpretation and variable across firms).
2. The objective is clear, albeit problematic for the development of sustainability standards (as discussed above) and for this reason I would argue for the 'provision of information for decision making as the objective of financial reporting.
3. The issue of scope is highly problematic due to the broadness of the objective of sustainability reporting. Hence it is unlikely to guide standard setting in a meaningful manner.
4. The core content is too broad and unfocused and whether this can be addressed appropriately (i.e., standarized) is highly doubtful. Para 22 is appropriate and consistent with an objective of providing information for decision making.
5. If there is to be connectivity / articulation between financial reports and sustainability reports there must be consistency. Whether or how this extends to sustainability across the supply chain is not addressed. Nor are potential issues arising from firms operating in different jurisdictions.
6. Connectivity is critical. Whether this is possible with differing objectives is doubtful.
7. I am unsure how the determination of fair presentation can be outsourced (i.e., SASB), as this creates potential problems with inconsistency.
8. Materiality is important if reporting is restricted to physical / virtual reporting occurs. If digital financial reporting is prescribed this becomes irrelevant.
9. Agreed, if there is to be connectivity / articulation.
10. If sustainability reporting was to be addressed entirely in the general purpose financial report it would significantly increase complexity, and undermine readability. For this reason any development of sustainability reporting should be done in conjunction with development of digital financial reporting.
11. Agreed.
12. Agreed.
13. No comment
14. If jurisdictions go beyond the requirements of ISSB standards that is not an issue. In this regard it is worth remembering that standards should focus on matters where a consensus exists, and should not seek to be exhaustive which appears to be feature of both the current exposure drafts (i.e., S1and S2).

15. Sustainability reporting and digital financial reporting must be addressed concurrently to avoid complexity and ensure understandability of general purpose financial reports.

I would like to conclude by saying that I believe that it is appropriate that the boundaries of reporting be extended, and this is potentially disclosing information relevant for determining the future prospects of firms. However, if this is to be realized it must be developed on a solid foundation.

Yours faithfully

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ED - IFRS S2 Climate-related disclosures

I welcome this opportunity to make a submission and would like to comment both generally as well as for specific questions.

General Comment

A feature of the reporting framework and financial reporting standards generally is that they have systematically addressed diverse issues, and this has been achieved through a broad range of standards. For example, in relation to assets there are standards including IAS 2 Inventories, IAS 16 Property Plant and Equipment, IAS 38 Intangible Assets and IAS 40 Investment Property. This has allowed a systematic and focused consideration of the issues arising in relation to each asset type.

This approach seems to have been ignored with the development of this exposure draft, that seeks to address the issue of climate change generally, with a standard that focuses specifically on carbon emissions. Consequences of this are that:

1. It dictates how carbon emission information should be used. If there are changes in our understanding of the impact of carbon emissions this will dictate changes to the standard (hence why standards should not dictate the use of information).
2. Notwithstanding the concern with climate disclosures generally, reference is only made to carbon emissions. No consideration is given to non carbon emissions that may have climate impacts. Alternatively, if emissions are standardized as carbon emissions is this the appropriate measurement mechanism (i.e., currency). Is this to be addressed by constant amendment of the standard to broaden its scope which will be challenging for users and preparers. Does this imply processes for recognition and measurement are beyond the scope of the standard and how will these be determined.
3. More generally, why should environmental impacts be limited to consideration of climate change. Maybe, pollution by heavy metals or other pollutants that contribute to ‘acid rain’ is a more immediate issue.
4. Perhaps most critically there is insufficient consideration of issues associated with the recognition and measurement carbon emissions and this is most obvious in relation to the consideration of scope 1/2/3 emissions. Does this imply processes for recognition

and measurement are beyond the scope of the standard, and if so how will these be determined.

A more appropriate strategy would have been to develop a standard limited to the 'reporting of carbon emissions'. This would be less subject to value judgements, and allow a clearer focus on what needs to be addressed if information is to be provided for decision making. Furthermore, this would eliminate the need for much of the content in S2 which is better addressed in S1 and contributes to S2 being highly repetitive and unnecessarily complex. Bearing in mind that there should be connectivity between financial and sustainability reporting the focus should be on para 14.

Specific Comments

1. As discussed in relation to the exposure draft for IFRS S1 I believe the focus on 'enterprise value' is problematic, and it would be more appropriate to focus on the 'provision of information for decision making'. This would still lead to consideration of the provision of information about the timing and uncertainty of future cash flows, and this would align well with financial report information. Whether this should extend as broadly as suggested in para 5 is doubtful. Most of the issues addressed in para 5 probably belong in the management discussion and analysis rather than the financial report. I am doubtful that this information can be standardized sufficiently for it to addressed with comparability in sustainability standards. This identifies a major constraint in standard setting that seems to have been ignored. The outcome of standards must be the provision of information that is consistent in nature and comparable across firms (not subject to interpretation and variable across firms) and is useful to users and does not pre-empt decisions.
2. Reporting, both financial and sustainability, should give prominence to reporting actions and outcomes. I struggle to understand how governance information is appropriately addressed in reporting standards and an implicit assumption is that the governance mechanisms are appropriate, necessary and suffucent.
3. By considering climate risks generally and then focusing on carbon emissions this is too open ended and vague.
4. Consideration of the value chain and emissions beyond Scope 1 is problematic. How can this be addressed in a reliable and verifiable means is not considered and I doubt that it can be addressed successfully. For example, it is not possible to determine standards for carbon emissions used in the construction of an aircraft for an airline as there may be significant differences across manufacturers both in products and processes. There may also be significant differences in the carbon emissions in the manufacturing process that are impacted by whether electricity used is from coal, nuclear, wind or solar sources. Put simply, firms can only report what they do.
5. It is not appropriate to address this is a reporting standard.
6. It is not appropriate to address this is a reporting standard.
7. It is not appropriate to address this is a reporting standard.
8. It is not appropriate to address this is a reporting standard.
9. Standards should be applied across firms equally, and be self sufficient. Furthermore, reporting elements should not be delegated. Many of these issues are already being addressed / considered in relation to digital financial reporting (i.e., extensions) and

the critical question is whether they should be addressed in reporting standards or addressed by firm voluntary disclosures, for which there will be economic incentives.

10. It is not appropriate to address this is a reporting standard.
11. See 9 above.
12. Compliance costs with the requirements of IFRS S1 and S2 would be significant and there is no rigorous empirical evidence suggesting any benefits.
13. Extending reporting beyond the entity (i.e., value chain and Scope 2/3) means that verifiability in impossible.
14. No Comment
15. The best manner for providing information on sustainability which is diverse and not capable of aggregation is digitally.

I would like to conclude by saying that I believe that it is appropriate that the boundaries of reporting be extended, and this is potentially disclosing information relevant for determining the future prospects of firms. However, it should focus on outcomes (not inputs) of firm activities (not others) and address in detail issues associated with recognition and measurement. A standard which focuses more specifically on measuring and reporting carbon emissions while more modest in intent would have been more appropriate.

Yours faithfully

Peter Wells

29 July 2022

International Sustainability Standards Board

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Dear ISSB team,

RE: International Sustainability Standards Board – Exposure Drafts

The Property Council of Australia and the Green Building Council of Australia (GBCA) welcome the opportunity to provide comments on the International Sustainability Standards Board (ISSB)'s Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 on sustainability-related financial reporting.

About us

The Property Council of Australia is the leading advocate for Australia's largest industry – property. Our industry represents 13% of Australia's GDP, employs 1.4 million Australians and generates $72 billion in tax revenues. Property Council members invest in, design, build and manage places that matter to Australians across all major building asset classes.

The GBCA is the nation's authority on sustainable buildings and communities. The GBCA's mission is to accelerate the transformation of Australia's built environment into one that is healthy, liveable, productive, resilient and sustainable. The GBCA works with industry and government to encourage policies and programs that support its mission and operates Australia's only national, voluntary, holistic rating system for sustainable buildings and communities – Green Star.

Australia's property industry leaders are world leaders in sustainability. They have consistently led global ESG indices like the Dow Jones Sustainability Index and the Global Real Estate Sustainability Benchmark, which they have topped since its inception eleven years ago. Most of our leading members have commitments to net zero emissions by 2030 or sooner, with several portfolios having reached this milestone already. Beyond their own footprints, our members have a long-term stake in helping our capital and regional cities thrive and work together collaboratively to support policies for decisive action on climate mitigation and adaptation to avoid the worst projected impacts of climate change.

The Australian property industry has also shown global leadership on social sustainability initiatives, including gender diversity through the Property Champions of Change initiative and the establishment of world first industry-wide online platform to engage suppliers in tackling modern slavery risks and to measure social impact across property operations and supply chains.

General comment

The Property Council and GBCA support the Peak Australian bodies submission, dated 18 July 2022, made by a coalition of Australian industry representative bodies and offer the following comments from a property specific perspective.

We support a global approach to the development of sustainability disclosure standards, and we are supportive of the ISSB being the global body to issue these standards. The overarching goal should be a globally consistent, comparable, reliable, and assurable corporate reporting system to provide all stakeholders with a clear and accurate picture of an organisation's ability to create sustainable value over time.

We consider it critical that the ISSB and other jurisdictions developing sustainability standards take a coordinated approach by aligning key concepts, terminologies, and metrics on which disclosure requirements are built. The current fragmentation of regulation and standard-setting is adding confusion, complexity and costs for both respondents and users of sustainability reporting – detracting attention from the important actions that need to be taken to meet ESG commitments.

We note there are challenges in establishing a global baseline and provide comments below on suggested approaches or changes within the draft exposure drafts.

In our December 2022 submission to the initial consultation paper, we recommended engaging with existing sustainability frameworks and welcome the collaborative work of the ISSB to date.

Key priorities

We have included a detailed submission addressing the ISSB's targeted questions at **Attachment A** for your referral.

The Property Council and GBCA's key priorities in relation to the ISSB's consultation on the [Draft] IFRS S1 and S2 standards are the following:

1- **Managing legal risks of disclosures and market sensitive information.** The anticipated effects of current and committed investment plans (e.g. major acquisitions, joint ventures, new business areas and asset retirement) on a reporting entity's financial position should be made in line with current requirements, not sooner. They are market sensitive and there are legal risks associated with their disclosures. Further, the standards should not request the disclosure of market sensitive information, such as how any item will be funded/resourced, including addressing climate resilience.

2- **Quantification and estimation of uncertainty over time**. While there is merit in seeking to align financial predictions with the expected impacts of climate change, they operate on different timescales. While we are already experiencing the impacts of climate change today, many of the worst impacts are expected to manifest decades into the future. By contrast, financial modelling tends to operate no more than 1-2 years ahead. This is due to the significant uncertainty that longer term predictions entail. For this reason, we encourage the ISSB to consider the approach laid out in the TCFD's Guidance on Metrics, Targets, and Transition Plans (2021). Figure D2 illustrates an alignment between the accuracy of financial projections and the number of years ahead.

3- **Alignment to existing accounting principles.** We support a separate suite of standards. However, the principles behind the accounting standards should be applied to the Sustainability-related and climate-related standards. One key principle where difference has been observed is conservatism. Under the accounting standards the threshold for recognising revenue is higher than recognition of liabilities. We anticipate users of these general purpose financial statements would inherently expect alignment. As such, we believe that recognition and disclosure of "opportunities" and "risk should adopt a similar approach. More clarity should be provided on this matter.

4- **A flexible approach to disclosing Scope 3 emissions**. While there is broad support to measure and disclose Scope 3 emissions in the property sector, data is not readily available across the range of Scope 3 emission sources. A combination of technical and legislative barriers stands in the way of full disclosure. For instance, there is currently no established and commonly accepted methodology to measure embodied carbon in building projects and lifecycle analyses can produce significantly divergent outcomes. Australian tenancy laws also currently prevent building owners from accessing and reporting on tenancy energy usage and associated emissions. The consistent and robust measurement of scope 3 emissions is an immense challenge across the economy, not just in the property sector. While we expect data availability and calculation methodologies of Scope 3 emissions to improve over time, a flexible approach will be needed while industry builds its reporting capabilities.

5- **Implementation readiness**. Reporting against the IFRS S1 and S2 standards will have a material impact on resourcing and expertise for captured entities and assurance service providers. Establishing adequate resourcing and upskilling staff to respond to the requirements of the standards will take time. For this reason, we recommend the standards applying no earlier than reporting periods commencing **24 months** after their final publication by the ISSB.

The Property Council and GBCA look forward to further engagement on this important issue to ensure the sustainability achievements and competitiveness of our property market is recognised on a global scale. Please reach out to Tim Wheeler, National Policy Manager – Sustainability and Regulatory Affairs at TWheeler@propertycouncil.com.au should you wish to discuss this submission in further detail.

Sincerely,

Ken Morrison

Chief Executive
Property Council of Australia

Davina Rooney

Chief Executive Officer
Green Building Council of Australia

Attachment 1 – Detailed Submission

ISSB ED S1 – sustainability related financial disclosures

Document link: ISSB Exposure Draft S1 general requirements for disclosure of sustainability related financial information

Question	Property Council and GBCA response
Overall approach	
Q1 a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer? b) Do you agree that the proposed requirements set out in the ED meet its proposed objective (para 1)? Why/why not? c) Is it clear how the proposed requirements set out in the ED would be applied together with other IFRS Sustainability Disclosure Standards, including the [DRAFT] IFRS s2 Climate-related Disclosures? Why/why not? If not, what aspects of the proposal are unclear? d) Do you agree that the requirements proposed in the ED would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposal? If not, what approach do you suggest and why?	• The exposure draft refers to existing standards and frameworks to address areas that are not currently covered by IFRS sustainability disclosure standards. This approach is supported by the Property Council and GBCA. • By focusing on materiality, entities are able to report on all their sustainability-related risks and opportunities under the Standards. • The building blocks approach is suitable. Putting investor requirements as the foundation for reporting is appropriate. It is important to cater to the needs of broader stakeholders by calling upon existing frameworks such as GRI. • There will be instances whereby auditing and assurance will become difficult or even impossible. In particular, issues will occur whereby a material element is detected but it is very difficult to measure and/or attribute a value due to a lack of standards or available information.

Objective	
Document reference: ED Para1-7, Appendix A	
PREAMBLE: The ED focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value. **Q2.** a) Is the proposed objective of disclosing sustainability-related financial information clear? Why/why not? b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why/why not? If not, do you have any suggestions for improving the definition to make it clearer?	● The standards lack a definition for the words 'sustainability', 'climate' and associated terms. These should be included directly within the text of the standards, or as a reference to an existing definition. ● The objective of disclosing 'sustainability-related financial information' is clear and actionable by respondents. ● *"Disclosures about sustainability-related risks and opportunities that are <u>useful</u> to users of general purpose financial reporting when they assess an entity's enterprise value, including information about its governance, strategy and risk management, and related metrics and targets."* ○ We suggest the term 'useful' be replaced with 'relevant'. ● We note the requirement to '*disclose material information about all of the <u>significant</u> sustainability-related risks and opportunities*'. ● We provide feedback on 'materiality' in our submission, we note that the term 'significant' is less well understood. We recommend consideration be given to providing greater clarity between 'significant' and 'material' in [DRAFT] IFRS S1. ● A distinction should be made between information that can be reliably measured and disclosed and information that cannot be easily measured due to a lack of standardisation or available information.
Scope	
Document reference: ED Para 8-9	
Q3 Do you agree that the proposals in the ED could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?	● We support a standard that establishes a global baseline that aligns with any jurisdiction's GAAP.

Core Content	
Document reference: ED Para11-35	
Q4 a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why/why not? b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why/why not?	● We support alignment with the TCFD structure. ● Suggest consistency in terminology – i.e. replace 'significant' with 'material'. ● Paragraph 22(b) states "*An entity shall disclose information about the sustainability-related risks and opportunities identified in paragraph 22(a) for which there is a significant risk that there will a material adjustment to the carrying amounts of assets and liabilities reported in the financial statements within the next financial year*". We propose changing "for which there is a significant risk" to "where it is expected that" to align to align with common jurisdictional requirements to avoid creating two points in time where disclosure is required (in Australia: ASX Listing rule 3.1 on Continuous Disclosure). ● Paragraph 22(c) requires the disclosure of expected changes in financial position including major acquisitions and divestments as well as planned sources of funding to implement its strategy. It is inappropriate to forecast expected impacts as well as disclose planned acquisitions and divestments and how they will be funded. It could both create legal risk as well as being market sensitive information. We would propose removing sub-sections 22(c)(i) and (ii) and leaving the 22c as a broad statement.

Reporting entity	
Document reference: ED Para 37-41	
PREAMBLE: The ED also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate. **Q5** a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why? b) Is the requirement to disclosure information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why? c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?	● Agree, this should be the same as financial information. ● Recommend including a requirement for entities to disclose/reconcile if specific metrics are calculated on a different 'entity' basis.
Connected information	
Document references: ED para 42-44	
Q6 a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not? b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?	● The need for connectivity between sustainability risks and opportunities is clear. ● The ISSB should consider forming an agreement with sustainability reporting standards (such as the GRI, the Principles for Responsible Banking, the Principles for Responsible Investing) that where elements of the sustainability standard (e.g.: GRI standard) are reported under the ISSB framework that those elements do not need to be reported again under the extended external reporting (e.g., the GRI report). ● The ISSB could consider adding provisions allowing insurance data to be used as evidence for the financial impact of climate risks. Insurance cost is a good proxy for measure of impact.

Fair presentation	
Document reference: ED para 45-55	
Q7 a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information clear? Why or why not? b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? c) Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the ED.	• Paragraph 51 lists several reference documents that provide additional context for reporting entities and will form part of reporting in an informed way. While we understand the need for including this additional context, we note that will make assurance more difficult.

Materiality	
Document reference: ED Para 56-62	
Q8 a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why/why not? b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity including over time? Why/why not? c) Is the ED and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why/why not? If not, what additional guidance is needed and why? d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the ED if local laws or regulations prohibit the entity from disclosing that information? Why/why not? If not, why?	• Paragraph 58 notes that materiality will be entity specific. We consider it important to clarify that it will also be specific to the particular sustainability matter. Wording should be updated to reflect this.
Frequency of reporting	
Document reference: ED Para 66-71	
Q9. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statement to which they relate? Why/why not?	• There may be resourcing issues within smaller reporting entities seeking to deliver general purpose financial reporting and sustainability related financial reporting at the same time. It would be appropriate to stagger the delivery of these reporting requirements to avoid overloading smaller reporting teams. • Clarification is sought on whether comparatives include prior year projections vs current year.

Location of information	
Document reference: ED Para 72-78	
PREAMBLE: The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication. **Q10** a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why/why not? b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location? c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why/ why not? d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why/why not?	• N/A

Comparative information, sources of estimation and outcome uncertainty, and errors	
Document reference: ED Para 63-65, 79-83 and 84-90	
PREAMBLE: The ED sets out: ● Proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. ● A proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible **Q11** a) Have these general features been adapted appropriately into the proposals? If not, what should be changed? b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives? c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied**?**	● We note that this requirement is very different to current accounting standards. Even in the context of financial reporting, distinction is made between 'error' and 'better estimate'. ● In respect to statements made in error, we support the requirement to disclose the metric in comparative reports. ● However, we believe that most of the differences will result from 'better' estimation methods. The rate of change will be significant in respect to methodology and modelling development and improvement as well as data acquisition, quality, and storage creation. These developments may enable more targeted scenario analysis or emissions factors in subsequent reporting periods and therefore could lead to disconnect in metrics from one reporting period to the next. ● Given the premise that each annual disclosure is made with the best possible knowledge and tools available at the time, we do not consider it reasonable to recalculate previous disclosures based on evolved techniques and data. ● We suggest the standards include clarifying language to the effect that resubmissions of past reports based on subsequent improvements to techniques and data be at the discretion of the preparing entity.
Statement of compliance	
Document reference: ED Para 91-92	
PREAMBLE not replicated here refer to p19 ED **Q12** Do you agree with this proposal? Why/why not? If not, what would you suggest and why?	● These provisions will create an issue for Australian regulatory environment and potentially many other jurisdictions.

	● There is potential for any forward-looking statements in S1 (and S2) giving rise to liability for misleading and deceptive conduct under Australian Law i.e. if a representation about a future matter is made and there is no reasonable ground for making the representation, it could be considered misleading. ● Problem lies in S1 and S2 calling for information related to disclosures even when estimations only (see S1 paragraph 79, 82) ● The *Australian Securities and Investments Commission* (ASIC), Australia's integrated corporate, markets, financial services and consumer credit regulator, in general discourages these sorts of statements (RG 170) ● The legal requirement for a reasonable basis for these statements, coupled with the low threshold for shareholder and other stakeholder class actions in Australia, would create a material risk of breach and exposure to damages. If compliance with these standards becomes mandatory in Australia, these types of forward-looking statements should be excluded from current legal requirements that statements in published reports as to future matters have a reasonable basis – in effect they should be covered by an explicit "safe harbour" to encourage appropriate good faith disclosure without fear of litigation. We encourage the ISSB to consider releasing guidance documents for jurisdictional financial regulators to address this issue.
Effective Date	
Document Reference: ED Appendix B	
Q13 a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.	● We recommend the standards applying no earlier than reporting periods commencing **24 months** following the publication of the final ISSB standards. This is necessary to provide the local jurisdiction governing bodies and other professional bodies time to roll out education and awareness programs, including guidance materials for reporting entities and assurance service providers.

b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?	● Further transitional arrangements (or staggering of reporting) for metrics and targets may be required given challenges surrounding data availability. (S2).
Global baseline	
Document reference:	
Preamble: The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards. **Q14.** Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?	● We support the establishment by ISSB of a global baseline for disclosure (noting some small regional variations may be necessary in some jurisdictions). ● We consider this to be critical for consistent and comparable disclosures and a failure if this cannot be achieved. ● While we support disclosure of industry specific metrics and a common global baseline, we are concerned with the volume of SASB industry metrics within S2 and therefore consider this could be prohibitive to adoption within jurisdictions, particularly as more standards are developed. ● Further, the choice of metrics for industries reflects the US market and therefore those metrics are less relevant in other jurisdictions such as Australia. ● We recommend that industry metrics are encouraged rather than specified, with SASB metrics suggested as a source of industry metrics.
Digital reporting	
Preamble: To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 Climate-related Disclosures Standards are the sources for the Taxonomy.	● We support digital reporting enablement.

At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation. **Q15** Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?	
Costs, benefits and likely effects	
Q16 a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals? b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?	• Responding to the standards is likely to result in a material increase in consulting costs, audit costs and internal resource costs, each entity will be different. A standard reporting entity would need at least 1 full time equivalent internally, pay consultants to measure and verify and then pay auditors to verify. We estimate this could add >$1m per annum to costs.
Other comments	
Q17. Do you have any other comments on the proposals set out in the ED?	• N/A

ISSB ED S2 – climate related disclosures

Document link: https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/issb-exposure-draft-2022-2-climate-related-disclosures.pdf [**ED**]

Question	**Property Council and GBCA response**
Objective of the Exposure Draft	
Q1. a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not? b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value? c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?	• We propose substituting the word “significant” for “material” for consistency of terminology in the following statement: *“an entity to disclose information about its exposure to* <u>*significant*</u> *climate related risks and opportunities, enabling users of an entity’s general purpose financial reporting.”* • We support a common purpose for improved, comparable and consistent disclosures and support the disclosure of scope 1-3 emissions. • However, presently a tension exists between the disclosures investors want and the data availability for reporting entities. Attempting to assess climate impacts on particular issues in isolation may be counterproductive within the broader context of physical and transition risks. • We support transitional arrangements for these disclosures to encourage continuous improvement that also recognises the challenges accessing the required data within the timeframe.
Governance	
Q2. a) Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?	• Governance is a key factor in determining the prospect of success for sustainability-related strategies for mitigation and adaptation. As such we support robust disclosure requirements around this issue. • We support the approach based on the expanded TCFD provisions: ensuring disclosure on the governance entity’s terms of reference and relevance

	within the organisation will be a good indicator to investors of the prominence of the entity.
Identification of climate-related risks and opportunities	
Q3. a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not? b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?	● The requirements are clear and the general approach is supported. ● While there are some concerns with the current iteration of the SASB Real Estate Standard (please refer to the response to Q17), the principle of considering the applicability of disclosure topics is supported. ● As stated above, it can be difficult to estimate the impact of a sustainability initiative on the future opportunities they will deliver. e.g. performing an energy upgrade to a building is within the operational control of a reporting entity but the overall occupancy and financial performance may not be easily predictable.
Concentrations of climate-related risks and opportunities in an entity's value chain	
Q4. a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not? b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?	● Supported.
Transition plans and carbon offsets	
Q5.	

a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why? b) Do you agree with the proposed disclosure requirements for transition plans? Why or why not? c) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary. d) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why? Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?	• Both our entities support the inclusion of the proposed disclosure requirements for transition planning, including anticipated changes to business models for adaptation and mitigation purposes. • The carbon offsetting requirements should be subject to **third party verification** that includes an understanding of the qualitative aspects of carbon offsets. These should include consideration of an offset's **permanence** (how long carbon stays out of the atmosphere), additionality (assurance that the emissions reduction would not have occurred in the absence of the credit being generated), and **leakage**. These criteria should take precedence over disclosing the removal method (e.g. nature-based vs technological).
Current and anticipated effects	
Q6. a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not? b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?	• While there is merit in seeking to align financial predictions with the expected impacts of climate change, they operate on different timescales. Many impacts of climate change are expected to manifest decades into the future. By contrast financial modelling tends to operate no more than 1-2 years ahead. This is due to the significant uncertainty that longer term predictions entail. For this reason, we encourage the ISSB to consider the approach laid out in the TCFD's *Guidance on Metrics, Targets, and Transition Plans (2021).* Figure D2 illustrates an alignment between the accuracy of financial projections and the number of years ahead.

c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?	For example, in the 0-2 year time horizon financial implications can be estimated using 'actual climate change impacts on current revenues', whereas on a 10+ year time horizon financial implications can, at best, be reported as 'broad conceptualisations'. Should this approach not be taken, it is likely entities will spend significant time and resources on seeking to model the future financial implications of climate change and results will be low accuracy and dependent on many assumptions. ● Paragraph 14(b) states "An entity shall disclose information about the climate-related risks and opportunities identified in paragraph 14(a) for which there is a significant risk that there will be a material adjustment to the carrying amounts of assets and liabilities reported in the financial statements within the next financial year". We propose changing "for which there is a significant risk" to "where it is expected that" to align to ASX Listing rule 3.1 on Continuous Disclosure to avoid creating two points in time where disclosure is required. ● Paragraph 14(c) requires the disclosure of expected changes in financial position including major acquisitions and divestments as well as planned sources of funding to implement its strategy. It is inappropriate to forecast expected impacts as well as disclose planned acquisitions and divestments and how they will be funded. It could both create legal risk as well as being market sensitive information. We would propose removing sub-sections 14(c)(i) and (ii) and leaving the 14c as a broad statement.
Climate Resilience	
Q7. a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why? b) The Exposure Draft proposes that if an entity is unable to perform climate related scenario analysis, that it can use alternative methods or	● 15(a) requires disclosure of financial resources to address climate resilience. This is not appropriate as it is market sensitive information and could inappropriately lock respondents in a form of financing. We propose removing 15(a)(iii)(1) entirely. Investors are still able to view current

techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy. (i) Do you agree with this proposal? Why or why not? (ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not? (iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why? c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not? d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not? e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?	financial statements and can independently assess liquidity and debt/equity ratios to gain an understanding of the company's financial options. ● Climate-related scenario analysis is a useful but complex process which may put it out of the reach of smaller reporting entities within the real estate sector. The current drafting will allow more sophisticated reporting entities to apply CRSA while leaving the option open to others to take a simpler approach. This course of action is supported. ● While some smaller entities will be able to engage consultants to produce a standardised report, requirements will increase significantly in complexity for larger organisations and associated costs will grow accordingly. E.g. a gas station may be able to report in a relatively straightforward manner, while a multinational property investment fund would require a much higher degree of complexity.
Risk Management	
Q8. Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?	● N/A.

Cross industry metric categories and GHG emissions	
Q9. a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why? b) Are there any additional cross-industry metric categories related to climate related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting. c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not? d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))? e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for: (i) the consolidated entity; and (ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not? f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all	● We support a common purpose for improved comparable and consistent disclosure of scope 1 and 2 emissions. ● We also support the disclosure of Scope 3 emissions while acknowledging they are inherently more challenging to measure and/or calculate. Scope 3 emissions will also make up the largest portion of emissions for many organisations within the property sector. This makes attempts to include them in disclosure more material. We support the use of the GHG Protocol as the correct way to go about measuring Scope 1-3 emissions. However there remain questions around the boundaries of Scope 3 emissions measurement. Many property organisations diverge in their approach to measuring Scope 3 emissions. Some of them will set the boundary where they are responsible for **purchasing/procuring** goods or services with associated upstream or downstream emissions. Others approach the measurement of Scope 3 emissions using the **organisational sphere of influence** as boundaries. Providing sector specific guidance to unify this approach and ensure that results between organisations are comparable should be considered a priority moving forward. However, any initiative to standardise sectoral interpretation and reporting of scope 3 within the GHG Protocol Standard will need to consider impacts to organisations that span different segments of the property value chain. For instance, companies in the development and investment space vs companies spanning construction, development, and investment. ● Local legislation is also an impediment to accurately calculate scope 3 emissions in some cases. In Australia, building owners do not have the right to access tenant electricity/emissions data. This makes a significant portion of Scope 3 emissions not readily available. Should the ISSB provisions for the disclosure of Scope 3 emissions be enacted as they are in the Exposure Draft, Australian property companies will not be able to accurately include emissions from tenancies. It will however create an imperative for

entities, subject to materiality? If not, what would you suggest and why?	governments to enable access to this information for the purpose of disclosures. ● Aligning the disclosure and targets associated with this standard to the latest international consensus delivered by the UNFCCC is a good approach that will ensure it remains aligned with evolving international expectations. The Property Council and Green Building Council are supportive. ● The definition of the latest international agreement on climate change is clear to leading members of the property industry who participated in this consultation. ● We encourage the consideration of transitional arrangements for these disclosures to support entities to continually improve their disclosures but recognising the challenges of accessing the required data within the timeframe.
Targets	
Q10. a) Do you agree with the proposed disclosure about climate-related targets? Why or why not? b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?	● Aligning the disclosure and targets associated with this standard to the latest international consensus delivered by the UNFCCC is a good approach that will ensure it remains aligned with evolving international expectations. Both the Property Council and Green Building Council are supportive. ● The definition of the latest international agreement on climate change is clear to leading members of the property industry who participated in this consultation.
Industry-based requirements	
Q11. a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable	● We support the ISSB approach to build on existing frameworks to capture industry-based requirements. Our members are familiar with SASB and GRI

entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why? b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not? c) Do you agree that the proposed amendments will enable an entity that has use the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not? d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not? e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why? f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not? g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why? h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?	and will be able to transfer these skills in responding to the ISSB standards. We request further consultation on the industry-based requirements (see response to Q17). ● Replacing references in industry-based requirements to jurisdiction-specific regulations with international standards will assist in delivering a global baseline. This approach is supported by both our entities. ● We support disclosing both absolute and intensity based financed emissions.

Costs, benefits and likely effects	
Q12. a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals? b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider? c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?	● Responding to the standards is likely to result in a material increase in consulting costs, audit costs and internal resource costs, each entity will be different. A standard reporting entity would need at least 1 full time equivalent internally, pay consultants to measure and verify and then pay auditors to verify. We estimate this could add >$1m per annum to costs.
Verifiability and enforceability	
Q13. Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.	● N/A.

Effective Date	
Q14 . a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why? b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft. c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?	● We recommend the standards applying no earlier than reporting periods commencing **24 months** following the publication of the final ISSB standards. ● This is necessary to provide the local jurisdiction governing bodies and other professional bodies time to roll out education and awareness programs, including guidance materials for reporting entities and assurance service providers. ● Further transitional arrangements (or staggering of reporting) for metrics and targets may be required given challenges surrounding data availability.
Digital Reporting	
Q15. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?	● The requirements for governance can be reported on earlier than other elements due to their administrative nature. Other elements such as GHG emissions and strategies will require more data to be completed.
Global baseline	
Q16 Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be	● N/A.

used in this manner? If so, what aspects and why? What would you suggest instead and why?	
Other comments	
Q17. Do you have any other comments on the proposals set out in the Exposure Draft?	● While not directly relevant to the scope of this response, the Australian Property sector holds some concerns on the current requirements of the SASB Real Estate Standard. Key improvements: ● The SASB Standard should use carbon intensities like GRI 302.3 not their like-for-like change process. Intensities are far better for long term trending. ● The descriptions of how management consider sustainability is redundant and low value compared to the far more comprehensive TCFD framework ● The tenant sustainability impact is written for jurisdictions with different levels of access to tenancy data. This makes it unsuitable for Australia and will lead to misinterpretation. ● The Climate Adaptation section is simplistic and holds no value alongside a TCFD report.

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15 July 2022

Emmanuel Faber
Chair
International Sustainability Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD, UK

Dear Mr Faber

QBE Submission: ISSB [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*

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 27 countries and territories. We are also one of the top 25 global general insurers and reinsurers as measured by net earned premium.

We strongly support the aims and objectives of the United Nations Sustainable Development Goals (SDGs) which seek to address the world's most urgent economic, environmental and social challenges. As a universal agreement to work towards a better and more sustainable future, the SDGs closely align with our purpose – *enabling a more resilient future*.

QBE currently applies the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in preparing climate-related disclosures in the Annual Report and prepares a Sustainability Report annually in accordance with the Global Reporting Initiative Standards.

In a complex and evolving area of external reporting, we support the establishment of the ISSB and its leadership in the development of a comprehensive global baseline of sustainability disclosures to enable consistent and comparable information for the capital markets. We also support the strategy of building on existing sustainability reporting frameworks such as the TCFD in the development of standards. It would be beneficial for there to be one sustainability reporting regime that applies internationally to enable comparability between entities.

We welcome the opportunity to comment on the first two draft standards issued by the ISSB.

Overall comments

We recommend that the ISSB adopt a phased approach for the inclusion of new disclosures, including requiring qualitative information in the short term with a view to introducing more quantitative information over time. This would allow industries and governments to develop methodologies that support consistent and comparable disclosures (for instance, consistent climate scenarios), and for Australian entities to develop data and reporting systems that generate robust, reliable, and assurable information for disclosure (including access to reliable and timely Scope 3 emissions data).

We support disclosure of industry-based information as it will be crucial in achieving consistent and comparable reporting. However, in our view, the disclosures proposed in Appendix B of [Draft] IFRS S2 require review and extensive additional consultation with a broader group of stakeholders (e.g. via field testing). Further consideration is required around the extent to which the requirements provide useful information that meet the disclosure objectives, and the appropriateness of the requirements considering commercial sensitivities. In the meantime, we recommend the ISSB include industry-based information as non-mandatory guidance.

The period between the issue of the final standards and their mandatory application date should be at least three years to enable preparers to develop and test data and information and systems, as well as obtain relevant assurance needed to facilitate making the relevant disclosures.

Other comments

- We support the view that sustainability standards should be a separate suite of standards from IFRS Standards. We also support sustainability-related disclosures being presented separately from general purpose financial statements as the materiality and audit considerations are different.

  The requirements should be clear and practical to implement – for example there needs to be an acknowledgement that, in reporting on the impacts on sustainable behaviours, insurance contracts can have incentives that impact on behaviour in disparate ways (as noted in our response to [Draft] IFRS S2, Q11 on industry-based requirements). Product features that incentivise health, safety and environmentally responsible actions and/or behaviours will be difficult to analyse as they cannot easily be measured
- The requirements should have greater regard for potential commercial sensitivities, particularly in respect of quantitative disclosures related to climate resilience and forward-looking metrics. Local jurisdictional requirements may also affect the adoption of the ISSB standards. For instance, the Australian Corporations Act requires that the representation with respect to a future matter must be based on reasonable grounds, or else would be deemed to be misleading. This presents liability risk as disclosures about future events are inherently uncertain.
- It is important to maintain a focus on materiality and an appropriate balance between the value of disclosures relative to the costs of preparing them. The drivers of value across different organisations, industries etc., are very different and broad requirements may not reflect value drivers in all cases and could become onerous.
- We note there are significant challenges in monitoring and measuring matters such as ‘incurred emissions’ and information on the ‘value chain’ and that these areas are evolving. While we agree with the aim of driving consistency of reporting around a broader range of sustainability risks, more experience will need to be gained by entities in monitoring and measuring these risks.

The Attachment to this letter outline QBE’s feedback on the draft standards.

Should the ISSB have any questions or would like to meet to discuss these comments further, please contact Rachel Poo, Head of Group Statutory Reporting & Accounting Policy at rachel.poo@qbe.com.

Yours sincerely

Inder Singh
Group Chief Financial Officer

* Attachments

Attachment – QBE's feedback on [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

Question 1 – overall approach

ISSB: The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the **significant sustainability-related risks and opportunities** to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for **users of general purpose financial reporting to assess enterprise value.**

(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

(b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

(c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?

(d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

'Sustainability' definition

1.1 QBE notes that the Basis for Conclusions to the draft Standard refers to the Brundtland Report's definition of 'sustainable development' and to the UN's definitions of sustainability, its sustainable development goals and international policy pronouncements [BC30]. However, QBE recommends that the ISSB consider:

(a) including a definition of 'sustainability' in the Standard itself for the sake of clarity and, in this regard, we note that both the SASB and GRI adopt the Brundtland Report definition: "meeting the needs of the present without compromising the ability of future generations to meet their own needs"; and/or

(b) providing a non-exhaustive list of matters that would be expected to fall within the bounds of sustainable development.

Materiality

1.2 The overall approach, and other parts of the proposals, refer to requiring an entity to "disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed".

1.3 Financial statement materiality is the subject of an IASB Practice Statement and customary practices have developed for determining materiality in general purpose financial reporting.

1.4 In the event that the ISSB proceeds on the basis of an investor (primary user) focus for materiality, QBE considers this would not preclude entities from disclosing information that may only be material to a broader group of stakeholders (double materiality). [Draft] IFRS S1.BC77 alludes to this, but we consider that it would be helpful for the ISSB to make this clear in the body of the standard.

1.5 The Illustrative Guidance on [Draft] IFRS S1 relating to implementing materiality judgements largely mirrors [Draft] IFRS S1.40. However, the Basis for Conclusions to [Draft] IFRS S1 appears to take a broad perspective, as noted in [Draft] IFRS S1.BC69 [emphasis added] "The proposals in the Exposure Draft would require that a complete depiction of sustainability-related financial information include material information about **all significant sustainability-related risks and opportunities."**

1.6 QBE considers that the ISSB needs to clarify whether materiality has a financial focus or is intended to be much broader and to reflect that message consistently across the Standards, the Basis for Conclusions and the Illustrative Examples. We appreciate that materiality has both quantitative and qualitative aspects in financial reporting, but the emphasis is generally on the quantitative aspect. It seems likely that more emphasis would need to be placed on the qualitative aspect for sustainability reporting.

1.7 The proposals also refer to an entity disclosing: "material information about all of the significant sustainability-related risks and opportunities to which it is exposed" ([Draft] IFRS S1.2 and 50). We suggest removing 'all of' because there are many aspects that affect enterprise value in financial and non-financial terms and these words might imply that they override the use of 'materiality' and 'significance'.

Industry standards as part of the overall approach

1.8 In March 2022,[1] the ISSB noted that it plans to build upon the SASB Standards and to embed SASB's industry-based standards development approach into the ISSB's standards development process.

1.9 It would be useful for the ISSB to clarify whether SASB industry-based standards are expected to be incorporated into ISSB standards for the long term or whether the ISSB will eventually produce its own industry-based standards using SASB's approach and possibly using SASB standards as a starting point. In the event that applying the ISSB's standards highlights a need for revisions to the existing SASB industry-based standards, it would be helpful to know the planned avenues for addressing stakeholders' concerns – whether the SASB is expected to update its standards or the ISSB will take on that role.

1.10 QBE recommends that, prior to the incorporation of SASB standards, the ISSB needs to review the SASB metrics and disclosures for relevance and consistency with the objectives of IFRS S1, and appropriateness in light of the cost and effort to produce them and commercial sensitivities, which includes avoiding penalising entities for their innovation. The ISSB should consider phasing them in and possibly issuing them initially as guidance, rather than requirements, at least until practice is sufficiently developed. Avoiding commercial sensitivities can, for example, help prevent entities being penalised for being innovative.

Auditors and regulators

1.11 QBE notes that, compared to historical financial information, sustainability disclosures would generally involve the application of a greater level of judgement. QBE considers the form of the proposed requirements would provide a suitable basis for auditors and regulators to determine compliance, but that auditors and regulators would probably need to develop new and modified methodologies that are designed to accommodate the level of judgement that will need to be applied by preparers.

[1] IFRS - ISSB communicates plans to build on SASB's industry-based Standards and leverage SASB's industry-based approach to standards development

Question 2 – objective

> **ISSB:** Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.
>
> The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.
>
> *(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?*
>
> *(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?*

2.1 QBE considers that the definition provided for 'sustainability-related financial information' is relatively clear, but that it could be further strengthened by providing examples.

2.2 Knowledge-based assets are referred to in the objective and paragraph 6; however, the term is not defined. It would be useful to understand whether it relates to risk-solutions and/or public-facing resources supported by the entity.

2.3 QBE assumes that the ISSB's intention for its standards to help bring about comparability of sustainability reporting over time and across different entities. However, the language in paragraph 7 ["is comparable with … the sustainability-related financial information from other entities"] is unclear – it might [wrongly] imply that comparability is achieved by following what other entities are doing, rather than applying the Standards.

Question 3 – scope

> **ISSB:** Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users' assessments of the entity's enterprise value are outside the scope of sustainability-related financial disclosures.
>
> The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction's GAAP (so with IFRS Accounting Standards or other GAAP).
>
> *Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?*

3.1. QBE agrees that the proposals could be used by entities that prepare their general purpose financial statements in accordance with IFRS or a GAAP other than IFRS. Risks and opportunities would often not be expressed in monetary terms; however, to the extent that the disclosures might be represented in monetary amounts, there may be differences in the timing and amounts of measures used [for example, measures of intangible assets that are more restrictive than IAS 38]. For the sake of comparability, it might be relevant to seek to have any such differences disclosed.

3.2 QBE notes there is, in theory, an overlap between standards issued within particular jurisdictions, such as the European Sustainability Standards and the ISSB standards. We would presume that, under the current regulatory framework, jurisdictions' standards would likely take priority such that, for example, the European Sustainability Standards would take precedence over the ISSB standards in European jurisdictions. QBE supports having international consistency and, to the extent feasible, supports the ISSB working towards convergence of sustainability standards and jurisdictional requirements.

3.3 QBE welcomes the formation of the Working Group to enhance compatibility between global baseline and jurisdictional initiatives and that it is planned to establish a Sustainability Standards Advisory Forum. In that context, we note that many major jurisdictions are represented.

3.4 QBE considers that it will be important to ensure that there is formal engagement with other jurisdictional representatives and standard setters that are not currently represented by the working group in order to help avoid any current or possible future incompatibilities that might complicate the application of the requirements.

Question 4 – core content

ISSB: The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well established work of the TCFD.

Governance

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be:

> *to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.*

Strategy

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be:

> *to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.*

Risk management

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

> *to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.*

Metrics and targets

The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

> *to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.*

(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

General comments

4.1 In general, QBE considers the section is well expressed, particularly in relation to the metrics, targets and risk management processes. QBE supports the ISSB building upon the work of the TCFD.

Time horizons

4.2 Reference is made [paragraph 16] to short-, medium- and long-term time horizons, which are not defined and are, therefore, subject to judgement by the reporting entity. In general, QBE considers this is appropriate because it would provide each entity with the flexibility to determine relevant timelines to apply for its businesses. However, we are interested in knowing whether it is envisaged that, at some stage, industry-specific ISSB standards would be issued that might address in more detail the timeframes that could be relevant for particular types of businesses.

Resilience

4.3 QBE appreciates that paragraph 23 is effectively a high-level requirement regarding disclosures that demonstrate an entity's capacity to adjust to the uncertainties arising from significant sustainability-related risks and paragraph 24 explains that other IFRS Sustainability Disclosure Standards will specify the type of information an entity is required to disclose.

4.4 In our view, that means, while individual entities might be able to identify the relevant risks to its own business(es), it would be difficult to achieve comparability across entities by applying paragraph 23 of S1 on sustainability resilience . Accordingly, QBE considers there should be an explicit acknowledgement in the draft Standard that achieving comparability across entities by complying with paragraph 23 is only likely to be feasible once other specific ISSB Standards have been finalised.

Risk management

4.5 QBE considers the level of detail of information sought in paragraph 26(b) in IFRS S1 about data sources, parameters and assumptions is excessive. While a materiality assessment might reduce the need for disclosure, in many cases, there would be agreements in place with vendors and other third parties that prohibit disclosures of this nature as it pertains to intellectual property – or such disclosures might be seen as inappropriate endorsements of particular sources.

Metrics and targets

4.6 In paragraph 13(c), we consider that further guidance is needed to achieve comparability across entities for disclosures about how the body ensures appropriate skills and competencies are available to oversee strategies designed to respond to sustainability-related risks and opportunities. It would be helpful for the ISSB to provide further information about the types of skills and competencies that might be expected to be required in assessing a broad range of sustainability related risks and opportunities, perhaps by industry. To fully assess sustainability related risks and opportunities, an entity may need a broad set of knowledge/skills from environmentalists, scientists, actuaries, insurance underwriting and assessment, etc.

4.7 In the context of paragraphs 15(b), 17 and 20(b), it is not clear the extent to which QBE would need to disclose how sustainability-related risks affect the full value chain or whether the disclosures are a step back from this level of disclosure. It would be feasible to provide descriptions of how sustainability-related risks affect value chains for key lines of business. However, this may reduce competition across the sector. QBE considers that it may not be relevant or necessary to provide a concentration breakdown by geographical area, facilities, types of assets, inputs, outputs or distribution channels in the context of insurance and assumes the granularity of disclosure would be a matter for judgement, based on materiality. QBE notes that it may be potentially misleading to provide such a breakdown because it would typically be impracticable to provide a fair presentation of information about concentrations of risks.

4.8 If the proposed requirements for a concentration breakdown were to be retained, we recommend adding words to the effect of ", where it is practicable to provide a fair presentation of that information and where the process of reporting avoids unnecessary adverse legal and economic implications."

4.9 In paragraph 26(b)(i), reference is made to quantitative thresholds for sustainability-related risks. QBE suggests that it be made clear this is simply an example of how the requirements might be met because quantitative thresholds would often be employed in identifying multiple risks in an insurance context and it could be difficult to isolate a quantitative threshold relating to sustainability-related risks. Specified scenarios may improve comparability.

4.10 QBE suggests that the requirements in paragraph 26(b)(iii) could be made non-mandatory or entities could be permitted to not disclose specific parameters provided they present reasons for non-disclosure, such as commercial sensitivity. Alternatively, entities could be permitted to not disclose specific parameters provided they disclose a 'confidence score' for their risk management.

4.11 In paragraph 34, for the sake of clarity and for consistency with paragraph 27, QBE suggests that the references to 'changes' be to 'significant changes' – otherwise, the explanations are likely to become overly complex. Similar to 'materiality', the term 'significant' should be defined.

Question 5 – reporting entity

ISSB: The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

(a) *Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?*

(b) *Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?*

(c) *Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?*

Alignment of subject entity

5.1 QBE agrees that sustainability-related financial information should be required to be provided for the same reporting entity as the related general purpose financial statements. This will facilitate linkages between the sustainability-related financial information and other financial and supporting information provided in compliance with IFRS Standards. It would also ordinarily be consistent with an entity's annual report provided to stakeholders.

5.2 While there is demand for sustainability-related disclosures from all entities, in balancing the costs and benefits of disclosure, the requirements should only be applicable to the consolidated financial statements.

Value chain

5.3 We note that there are significant challenges in monitoring the 'value chain'. Accordingly, in disclosing information about all significant sustainability-related risks and opportunities to which QBE is exposed, it may not be feasible to provide the information identified in paragraph 40 along the whole value chain. QBE suggests that this disclosure should be subject to a 'practicability' override and the reference to 'all' should be deleted in the context of identifying the relevant significant sustainability-related risks and opportunities. It is important to maintain a focus on materiality and an appropriate balance between the value of disclosures relative to the costs of preparing them. The drivers of value across different organisations, industries etc., are very different and broad requirements may not reflect value drivers in all cases, could become onerous and may not be relevant to users of general purpose financial statements.

5.4 Given that the proposed requirement is very broad, guidance is needed on how to assess and report significant sustainability-related risks and opportunities across a value chain in a consistent manner across entities, probably by major industry sector.

Question 6 – connected information

ISSB: The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

(a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

(b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

6.1 Based on the proposals in paragraphs 42 to 44, the intention is that entities disclose information that helps explain to users the ways in which various sustainability-related risks and opportunities and financial statement disclosures are connected. QBE agrees with the proposed requirements and considers them to be sufficiently clear.

Question 7 – fair presentation

ISSB: The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the **faithful representation** of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

(a) *Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?*

(b) *Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.*

Conceptual context for faithful representation

7.1 QBE is concerned that there is insufficient flexibility within the notion of 'faithful representation', particularly the reference to 'complete', as expressed in the proposals and the requirement is to report on 'significant' sustainability-related risks. We note that paragraph 45 refers only to 'sustainability-related' risks, and fair presentation refers to 'relevant' information and not 'significant' information.

7.2 We note that the IASB's *Conceptual Framework for Financial Reporting* explains at paragraph 2.13: "*To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. The Board's objective is to maximise those qualities to the extent possible*". Paragraph 2.14 goes on to say: "*A complete depiction includes all information necessary for a user to understand the phenomenon being depicted, …*".

7.3 Accordingly, in a general purpose financial reporting context, it is acknowledged that, in practical terms, an imperfect level of 'faithful representation' is typically the best that can be achieved. QBE considers it would be helpful to provide background on faithful representation in the Sustainability Standards similar to that in the IASB's *Conceptual Framework for Financial Reporting*. There could be benefit in establishing a conceptual framework for sustainability reporting. We consider this would help place the requirements in context.

Inter-action with other bodies' standards

7.4 QBE notes that paragraph 54 could be interpreted in a number of different ways:

- entities have the flexibility to continue disclosing (at least) what they currently disclose in complying with GRI and other standards (QBE follows GRI standards for sustainability reporting); or
- entities may have to comply with GRI and also other standards such as SASB, European sustainability standards etc.; or
- entities should refer to all other available sustainability standards when considering the disclosures being proposed by the ISSB.

7.5 Based on paragraph 53, other bodies' standards sustainability standards can be applied provided they are "are relevant to the decision-making needs of users" and "faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity". QBE notes that, ideally, all entities would be applying the same standards internationally and, as noted in our covering letter, we urge the ISSB to aim for international convergence to enable comparability across reporting entities. In the meantime, QBE suggests that it would be clearer if paragraph 54 were amended to explicitly permit entities to follow other recognised bodies' (e.g. GRI) standards provided that they do not conflict with the IFRS Sustainability disclosure standards.

Question 8 – materiality

ISSB: The Exposure Draft defines material information in alignment with the definition in IASB's Conceptual Framework for General Purpose Financial Reporting and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'.

However, the materiality judgements will vary because the nature of sustainability related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

(a) *Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?*

(b) *Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?*

(c) *Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?*

(d) *Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?*

Guidance

8.1 The principle-based guidance provided on materiality is reasonable at this stage of the project; however, it is quite brief relative to the TCFD guidance. There is a suitable acknowledgement that entity-specific and industry-specific factors will affect the manner in which materiality is applied. At a later stage, once entities have gained more experience with the requirements, more specific guidance on applying materiality may be useful to help facilitate comparability.

8.2 In the event that the ISSB proceeds on the basis of an investor (primary user) focus for materiality, QBE considers this would not preclude entities from disclosing information that may only be material to a broader group of stakeholders (double materiality) and considers that it would be helpful for the ISSB to make that clear.

Local prohibitions

8.3 QBE agrees that relief should be provided when there are local prohibitions on reporting information. We note that this could reduce comparability and recommend that, if the absence of the information is material because it relates to a significant risk or opportunity, disclosure should be made that information has been omitted due to local regulation.

Comparative information

8.4 The impact of the paragraph 64 requirements relating to comparative information on the application of materiality and emphasis on disclosure of significant matters is not clear – for example, whether current period information that is not material/significant would need to be disclosed if the comparative information is material/significant. QBE considers that current assessments of materiality and significance should override the comparative information requirements. Accordingly, information that is not material to the current period should not be the subject of disclosure for the comparative period.

Question 9 – frequency of reporting

> **ISSB:** The Exposure Draft proposes that an entity be required to report its sustainability related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.
>
> *Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?*

Timing of reporting

9.1 QBE notes that timelines for conventional general purpose financial reporting are typically the same for QBE's current sustainability reporting. However, it would be challenging to make the breadth of sustainability-related information proposed by the ISSB available at the same time as general purpose financial reports, particularly with respect to quantitative information and the information more generally about Scope 3 emissions, which would be heavily reliant on third party data and would often not be available within a reasonable timeframe. Accordingly, QBE considers that the ISSB should acknowledge that it may not be realistic to require an entity to report its sustainability related financial disclosures at the same time as its related financial statements.

Periods for which information is reported

9.2 QBE supports aligning the periods for which conventional financial and sustainability-related financial disclosures are reported.

9.3 QBE's current practice is to report each calendar year on sustainability-related disclosures in our Group Sustainability Report and the TCFD disclosures within our Group annual report, consistent with our financial reporting under IFRS Standards. QBE also reports half-year information applying IFRS Standards and, consistent with IAS 34 *Interim Financial Reporting*, the interim information is a condensed version of the information reported annually. QBE does not publish these sustainability-related disclosures for the half-year.

9.4 QBE notes that IAS 34 does not require interim financial reports, and QBE's obligations arise from being listed on the Australian Securities Exchange. Instead, IAS 34 provides minimum reporting requirements that need to be met in order for an entity to claim that its interim financial statements are prepared in accordance with IFRS Standards.

9.5 QBE supports the general discussion of frequency of reporting in [Draft] IFRS S1 and considers that sustainability-related disclosures should not be required to be reported more frequently than once a year, based on cost/benefit considerations. The information can be burdensome to source, collate and analyse, while the appetite for more than annual sustainability-related disclosures is unclear. Typically, there are worthwhile changes and progress to report in respect of sustainability-related information based on an annual cycle.

Question 10 – location of information

ISSB: The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

Information required by an IFRS Sustainability Disclosure Standard could also be included **by cross-reference**, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross referenced? Why or why not?

(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

10.1 QBE supports the proposals to provide flexibility around the location of sustainability disclosures, including the use of cross-referencing, which would help avoid duplication.

(a) We note by way of analogy that the Australian Securities Exchange's corporate governance disclosures can be presented either in an entity's annual report or on its website provided they are clearly cross-referenced from the annual report and presented and centrally located on, or accessible from, a 'corporate governance' website landing page.

(b) We also note that permitting material to be included via cross-reference would allow for a stand-alone document to contain detailed scenario analysis information which might apply across multiple years and, therefore, need not be repeated annually.

10.2 QBE notes that, consistent with our comment above on 'Timing of reporting', in terms of cross-referencing, it would be challenging to make the breadth of sustainability-related information proposed by the ISSB available at the same time as general purpose financial reports – please refer to paragraph 9.1 above. Consideration should be given to a phased implementation of the standards to support achieving concurrent timing of financial and sustainability reporting to allow entities the ability to develop systems that enable this objective.

10.3 QBE agrees it is clear entities are not required to make separate disclosures on individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures.

Question 11 – Comparative information, sources of estimation and outcome uncertainty, and errors

ISSB: The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8.

However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

(a) *Have these general features been adapted appropriately into the proposals? If not, what should be changed?*

(b) *Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?*

(c) *Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?*

11.1 QBE agrees with departing from the accounting notion of adjusting for changes in estimates in the current period to restating comparative changes in estimates for sustainability information, except where it is impracticable. If an entity improves its methodology and/or metrics in the current period, comparative periods should be restated to allow for a more meaningful comparison. The entity's accountability for changing estimates for sustainability information should be the subject of disclosures, akin to those applying to changes in accounting policies, and informing users about why the changes provide more meaningful information.

11.2 QBE considers the paragraph 80 requirement that, when sustainability-related financial disclosures include financial data and assumptions they should be consistent with the corresponding financial data and assumptions in the entity's financial statements should be to the extent 'practicable' [rather than 'possible']. We consider the 'possible' hurdle might impose unnecessary restrictions on an entity.

11.3 QBE notes there are some sustainability-related risks and opportunities that can be deemed significant to stakeholders that may not have immediate material financial impacts because the assumptions used in determining the financial impacts would be different from those used for the financial statements. The financial impact may be long-term. For example, this may apply to Culture, Employee Retention, Human Rights and Modern Slavery, Diversity and Inclusion, Affordability and Accessibility etc.

Question 12 – Statement of compliance

ISSB: The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

12.1 QBE agrees with the proposed approach and notes it is consistent with the application and compliance regime for IFRS Standards in Australia and other IFRS jurisdictions.

12.2 QBE considers that the ISSB should also acknowledge that some entities will seek to phase in their application of the ISSB's standards and that there should be some recognition of their efforts in the statement of compliance. For example, entities not in full compliance could be encouraged to explain their level of compliance, including identifying those areas in which they remain non-compliant.

12.3 Please also note our comments in respect of [Draft] ISSB S2, Q13 in respect of verifiability and assurance, which is related to achieving compliance assurance.

12.4 If the ISSB's focus is only on full compliance, it could be difficult to obtain any form of 'sign off' from senior management in the short to medium term when measures, methodologies and disclosures are evolving. The same would be true for obtaining any form of external assurance.

Question 13 – Effective date

ISSB: The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

13.1 QBE considers that developing and issuing the [Draft] standards should be completed as soon as feasible. The earlier the standards are released, the sooner that work can commence to achieve greater consistency in this area of reporting. QBE notes that, as entities apply the standards, we will inevitably become aware of possible gaps and amendments that will need to be addressed, but that it is important to have the standards available to drive this process.

13.2 QBE supports the application of the proposals with **at least** a three-year gap between the final Standards and the commencement date, subject to:

- our comments on other matters raised in the Exposures Drafts that would involve making some proposed requirements non-mandatory and removing others;
- staging the requirements such that more time is provided to implement the more difficult disclosure requirements;
- in some cases, deferring requirements that would only be able to be implemented reliably once practice develops, which could include information on climate resilience and scenario analysis.

13.3 QBE considers that its support for a minimum three-year gap between the issue of the ISSB standards and their application would balance the need for urgent action with the need to help ensure that entities have time to produce quality information. In particular, QBE considers that three years or more is appropriate for the following reasons.

- Achieving compliance is expected to involve developing, changing and testing information systems needed to facilitate making the relevant disclosures. This would be similar to the implementation of a complex new or revised IFRS, which normally have a reasonably long period between issue date and application date. For example, IFRS 17 was originally issued in 2017 with an operative date of January 2021, which was subsequently changed to January 2023 on the release of a revised IFRS 17 in 2020. The potential data and system needs that would be required by IFRS S1 and IFRS S2 would be at least as complex and time-consuming to implement for many entities as IFRS 17 has been for insurers.
- Ample time is needed to accumulate the relevant data and gain experience in its use and analysis in order to produce publishable disclosures. Trying to truncate this process could lead to unreliable information, which in some cases might expose entities to litigation.
- Positions on scenario analysis by the industry are only in their early stages of development and are expected to need considerable time to take shape and achieve comparability. While the issue of the standards might give impetus to these developments, the process would need to be subject to wide-ranging consultation.
- While some businesses will have experience with sustainability-related disclosures, others will not and the level of maturity of an entity's business could impact on the time needed to implement the disclosures.
- Ensuring that the information systems and output can be subject to a relevant level of assurance is also expected to extend the time needed to implement the disclosures.
- The skills and resources needed to implement the changes are in short supply and that situation is not expected to improve in the medium term. The longer the gap between final Standards and commencement, the more effectively the relevant resources can be allocated across the market.
- The ISSB could specifically encourage early adoption for those entities that are best-placed to implement the requirements. QBE considers that there are multiple market incentives that are likely to encourage entities to early adopt. These include published benchmarking and scoring of entities, for example, by the CPD in respect of TCFD disclosures, which can influence the decisions of investors.

13.4 In theory, the commencement dates of IFRS S1 and IFRS S2 would ideally be the same. However, the need for disclosures around climate-related risks and opportunities is more urgent. Accordingly, consideration could be given to using staged application dates, which would provide entities with the opportunity to implement the Standards in a phased approach.

13.5 In the event that the requirements are more stringent than QBE has recommended, and/or that staging is not implemented, the time gap between the final Standards and the effective date would need to be longer to enable entities to design and implement data and reporting solutions to comply with the requirements in a robust and reliable manner.

13.6 QBE agrees with not mandating comparative information in the first year of application.

Question 14 – Global baseline

> **ISSB:** IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value.
>
> Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends

> that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.
>
> *Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?*

14.1 QBE notes that for the ISSB's standards to be a global baseline they will need to accommodate industry guidance from other sources, at least until the ISSB builds upon the SASB Standards and embeds SASB's industry based standards development approach into the ISSB's standards development process. Several industry bodies, for example, in the extractives industry, have existing guidelines and others are in development in the financial sector.

Question 15 – Digital reporting

> **ISSB:** The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 Climate-related Disclosures Standards are the sources for the Taxonomy.
>
> It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.
>
> *Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?*

15.1 In principle, QBE supports initiatives to enable digital reporting. However, we note that cost-benefit considerations have meant digital reporting of general purpose financial statements has not gained traction in Australia. This seems largely due to the disconnect between the information used to manage lines of business versus the information that needs to be reported to comply with IFRS Standards. It may also be due to a lack of comprehensive industry-based extensions to the IFRS taxonomy.

15.2 QBE considers that the ISSB's focus should be on setting high-quality and consistent standards and working to have them widely accepted. This should help underpin the demand for digital reporting.

Question 16 – Costs, benefits and likely effects

> **ISSB:** The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.
>
> *(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?*
>
> *(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?*

16.1 The costs associated with establishing reliable data and information systems required to implement the proposals are expected to be substantial. Accordingly, ample time needs to be allowed to develop sound relevant disclosure requirements to help ensure they are not subject to frequent change that would create further costs.

Question 17 – Other comments

ISSB: *Do you have any other comments on the proposals set out in the Exposure Draft?*

17.1 QBE considers that many of the defined terms could be clarified through the use of examples that would help illustrate their intended meaning. This would not include 'materiality', which is highly entity-specific and not conducive to being explained via examples.

17.2 The definition of 'Enterprise value' refers to the sum of the value of the entity's equity (market capitalisation) and the value of the entity's net debt. We consider it would be helpful to provide some explanation for the definition in the context of the primary users of sustainability information, including why the ISSB regards the definition as capturing the relevant value for those users. We note for example, that some measures of enterprise value specifically identify cash.

Conceptual Framework

17.3 QBE notes that [Draft] IFRS S1 includes proposals for definitions and requirements that are consistent with the IASB's *Conceptual Framework for Financial Reporting*. However, we note that there would be merit in considering whether there should be a separate, but still consistent, conceptual framework for sustainability reporting. Such a framework would be the natural home for additional guidance that might be needed to explain concepts that have been primarily developed for use in financial reporting that are now to be applied in a sustainability context. For example, as we note in responding to Q7 above, it would be helpful to provide background on 'faithful representation' in the Sustainability Standards similar to that in the IASB's *Conceptual Framework for Financial Reporting*.

Attachment – QBE's feedback on [Draft] IFRS S2 *Climate-related Disclosures*

Question 1 – Objective

> **ISSB:** Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:
>
> - to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
> - to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
> - to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.
>
> (a) *Do you agree with the objective that has been established for the Exposure Draft? Why or why not?*
>
> (b) *Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?*
>
> (c) *Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?*

1.1 QBE supports the proposed objective. There is a global demand for an international reporting standard with standardised disclosure of climate-related risks and opportunities that would allow the entity's stakeholders make an informed assessment of the impact of these risks and opportunities on the entity's enterprise value.

1.2 QBE considers that the objective has a suitable focus on information that would highlight the effects of climate-related risks and opportunities on 'enterprise value' and how the entity manages the risks and opportunities through its planning, business model and operations.

1.3 Please refer to the comments below in respect of whether the proposed requirements meet the objectives of the Exposure Draft.

Question 2 – Governance

> **ISSB:** The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies.
>
> The related TCFD's recommendations are to: describe the board's oversight of climate related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.
>
> Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.
>
> *Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?*

2.1 We particularly note the proposed requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies. The level of detail expected is not clear.

However, QBE suggests that the information should be relatively high level to avoid having administrative details obscuring more useful information.

Existing governance structures

2.2 In respect of disclosing information about the governance body or bodies with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities, we note that the ISSB should be cognisant of the various national structures that might be in place.

2.3 QBE notes, for example, that Australian regulated entities, including insurers, are expected to be subject to the requirements of the Financial Accountability Regime [FAR]. Among other things, the FAR provides the foundation for the overall approach to governance at a whole-of-entity level. Once an effective sustainability governance structure has been laid out, and reaches a stable state, QBE considers that entities should use that overall approach to drive accountability, including in respect of climate-related risks and opportunities.

2.4 QBE considers that paragraph 5(e) which refers to disclosing: "how the body and its committees consider climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions, and its risk management policies, including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required" would not be practical to apply. Few, if any, decisions are made solely as a result of climate risk and it would be difficult to isolate the climate-related deliberations from the deliberations on, for example, market risks and opportunities, strategic direction, and profitability. In addition, those deliberations are typically commercially sensitive. We also doubt that this level of detail is warranted to provide users with insights in assessing whether an organisation is identifying and managing its response to climate risks and opportunities.

2.5 QBE agrees that some sustainability performance metrics can be included in renumeration policies such as short term emissions reduction targets. However, QBE also notes it would be challenging to incorporate other long-term climate related risks and opportunities in renumeration policies due to their uncertainty and the fact they often involve 20-30-year targets, which are longer than the tenor of existing board members and senior management.

Question 3 – Identification of climate-related risks and opportunities

ISSB: Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of **significant** climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B).

Paragraphs BC64–BC65 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

(b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

3.1 QBE considers that paragraph 8(d) which refers to an entity disclosing: "the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning" would not be practical to apply. Few, if any, financial statement impacts can be attributed solely to climate risks and opportunities and it would be difficult to isolate them from financial impacts of other factors, for example, changes in general market conditions, and changes in strategic direction. In addition, such information would generally be commercially sensitive. We also doubt that this level of detail could be reliably determined so as to provide users with insights in assessing the likely future impacts of climate risks and opportunities on an entity's financial position, financial performance and cash flows.

3.2 QBE considers the disclosure proposed in paragraph 9 of the Exposure draft is clear and the industry specific disclosure guidance is a useful guide in identifying significant climate related risks and opportunities both for physical and transition risks. We note that the insurance industry guidance [B17] should remain 'guidance' and not be mandatory as there is a need to accommodate the various circumstances of insurers. However, it would be useful for the ISSB to specifically provide principle-based guidance that describes/defines short, medium and long term timeframes in the Standard, that entities could use as a starting point to overlay their own contexts in different industries, to help ensure comparability across entities/industries.

3.3 To assist implementation, it would be useful to provide practical guidance on the relevant timeframes, for example, to identify whether they are intended to relate to:

- the entity's planning cycle;
- the entity's product lifecycle; and/or
- the effects of estimated climate impacts on the entity/industry.

3.4 For the insurance industry, QBE considers that the requirements for disclosure around particular metrics in IFRS S2 B17 Insurance industry-based disclosure requirements could be commercially sensitive and greater emphasis should be placed on qualitative information to help overcome this concern.

3.5 In the event that the commercial sensitivities around quantitative metrics can be overcome, there is a need for further clarifications, including the following:

- The amount of monetary losses attributable to insurance payouts from modelled and non-modelled natural catastrophe should be limited in some manner, for example, to the catastrophes estimated to pose the top 10 monetary losses.
- The gross exposure to carbon-related industry needs clarification, including whether it is intended that gross exposure is measured in terms of premium written, premium revenue for a period, some measure of exposure to claims or a combination of factors.

3.6 A number of the disclosures are both gross and net of reinsurance. We note that, for example, in respect of weather-related natural catastrophes, an entity would report the probable maximum loss amount on gross and net of 'catastrophe reinsurance'. QBE considers it should be clarified whether this relates to both excess of loss reinsurance and risks mitigated through quota share arrangements.

Transition risk exposure

3.7 QBE has concerns about the proposed disclosure in IFRS S2 B17 Insurance industry for *each industry by asset class of: absolute gross emissions and intensity emissions split by Scope 1, 2 and 3*.

- The ISSB should specify that this disclosure relates to attributed 'financed emissions' only.

- The benefits of splitting the financed emissions by Scope 1, 2 and 3 is not clear. In practice, entities typically disclose financed emissions as a single emissions figure by asset class.
- Methodologies for measuring Scope 3 emissions are evolving and the current methodology on financed emissions includes Scope 1 and 2 emissions only. The ISSB should explicitly permit an entity to provide explanatory disclosure in respect of Scope 3 financed emissions. We would therefore recommend a 'phased-in' approach is adopted, commencing with voluntary disclosure, in respect of Scope 3 emissions when:
    - they are significant in respect of entities in which QBE might invest;
    - the data allows for a fair presentation of financed emissions over time; and
    - the process of reporting avoids unnecessary adverse legal and economic implications.

3.8 QBE considers it would be helpful for the ISSB to identify acceptable emission intensity denominators, such as enterprise value including cash and/or revenues.

Question 4 – Concentrations of climate-related risks and opportunities in an entity's value chain

ISSB: Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

[Paragraphs BC66–BC68]

(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

Most significant risks/opportunities

4.1 QBE supports qualitative disclosure of significant climate related risks and opportunities on the entity's business model and value chain. However, we are concerned about the possible extent of quantitative disclosures since climate related risks and opportunities can have long term unknown impacts for a large and complex entity and analysing a full value chain is a major task. The extent to which this is feasible would depend on obtaining reliable information from third party suppliers many of which do not publish their emissions profile, particularly unlisted entities and smaller entities. QBE considers that the ISSB should:

- explicitly permit an entity to report on a phased approach;
- consider noting that, in applying materiality, an entity may disclose information about significant climate related risks and opportunities on an entity's value chain for only the most significant risks/opportunities – for example the top three risks/opportunities.

Concentration of risks/opportunities

4.2 QBE supports requiring disclosure around where in an entity's value chain significant climate-related risks and opportunities are concentrated and notes that the proposals refer to examples, such as geographical areas, facilities or types of assets, inputs, outputs or distribution channels. While not ruling out the disclosure of quantitative information in the short term, at this stage, QBE considers that the ISSB should explicitly permit solely qualitative disclosure of an entity's concentration of climate related risks and opportunities. QBE appreciates that the aim is to have both quantitative and qualitative disclosures, but considers that practice needs to evolve. The ISSB can flag that quantitative disclosures might be mandated in the medium to long term, which would encourage entities to develop quantitative metrics.

4.3 Practice may develop around quantitative disclosures on the concentration of risks/opportunities in the longer term but, until that time, QBE considers that mandating them would be onerous and of limited value to users because they are likely to lack consistency across and within most industries.

Question 5—Transition plans and carbon offsets

ISSB: Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity.

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term.

The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions.

Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors necessary for users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

(c)	*Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?*
(d)	*Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?*

Planned basis for meeting targets

5.1 Paragraph 20(d) would require disclosure of targets set by the entity to mitigate or adapt to climate-related risks or maximise climate-related opportunities. Paragraph 13(b)(ii) would require disclosure of the amount of the entity's emission target to be achieved through emission reduction within the entity's value chain. It may be clearer to locate the requirements relating to targets in the one section of the final standard for ease of reference.

Planned use of carbon offsets

5.2 Paragraph 13(b)(iii) would require disclosure of the intended use of carbon offsets in achieving emissions targets. QBE recommends that the ISSB consider separately identifying carbon offsets disclosure based on whether they are:

- carbon offsets already purchased; or
- carbon offsets/removal/avoided emissions.

5.3 For purchased carbon offsets, the entity could, for example, disclose details related to third-party offset verification or certification schemes. For emissions reduction targets in which the target year could be in 2030 or 2050, an entity could disclose how it plans to use carbon offsets/removal to achieve its targets (such as a net zero emissions target).

5.4 However, QBE notes that it would not ordinarily be possible for an entity to disclose in its current plan for 2030/2050 its planned use of nature based or technological carbon removals due to the under-developed nature of those markets. The wording in paragraph 13(b) implies quantitative measures and QBE considers it should be acknowledged by the ISSB that this might not be feasible in the context of the proposed requirements of paragraph 13(b)(iii)(3).

Definitions

5.5 QBE recommends that the ISSB seek to harmonise the relevant definitions (carbon credits, carbon offsets, removals, emission avoided, avoided emissions and negative emissions) and its requirements with the Science Based Targets Initiative [SBTi] guidance. Avoided emissions has been proposed as a metric for tracking progress on climate solution financing but is still not widely viewed as a credible option for science-based net-zero targets. QBE therefore questions the relevance of disclosures about avoided emissions.

Question 6 – Current and anticipated effects

ISSB: The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

The TCFD's 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organisational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks).

Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information for investors about how climate-related issues affect an entity's financial position and financial performance currently and over the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.

(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

(b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

Effects of climate-related risks and opportunities – quantitative/qualitative

6.1 QBE is supportive of permitting an entity to provide qualitative disclosure if it is unable to provide quantitative information [including scenario analysis] on the anticipated effects of climate-related risks and opportunities.

6.2 In terms of quantitative disclosures, QBE also supports being able to present a range instead of a single value on the basis that there is often uncertainty around the future effects of climate related risks and opportunities.

6.3 It would generally be very difficult, and often not feasible, to specifically identify the impacts of climate on the various components of the business, including for an insurer, the impacts on claims, investments, and new product development given the long term nature of climate impacts.

Anticipated financial effects on reporting – short, medium and long term

6.4 QBE considers that, while entities will be anticipating the financial effects of climate-related risks and opportunities on their business plans, it is unlikely to be feasible to report quantitatively on the anticipated financial effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term. Accordingly, we support the proposal to allow entities to report qualitatively if they are unable to report quantitatively. Projecting financial effects quantitatively more generally is subject to significant judgement and would not ordinarily be reported in general purpose financial statements.

6.5 Materials made public via analyst briefings often include various limited-scope financial projections that are typically subject to substantial qualifications. Projecting particular components of financial effects that are attributable to climate-related factors would necessarily involve a high level of judgement and mean that reliable quantitative information is difficult to achieve. This would particularly be the case beyond the short term.

6.6 We note that the ISSB should consider the context in which entities might usefully make quantitative disclosures, such as with substantial qualifications about the assumptions that needed to be made to underpin estimates and methodologies. Local jurisdictional requirements may also affect the adoption of the ISSB standards. For instance, the Australian Corporations Act requires that the representation with respect to a future matter must be based on reasonable grounds, or else would be deemed to be misleading. This presents liability risk as disclosures about future events are inherently uncertain.

6.6 Even ranges of quantitative information would be difficult to provide in a relevant form. The ranges may need to be so wide as to not be useful.

6.7 QBE expects it would generally be feasible to provide qualitative information on the anticipated financial effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term. We appreciate that, as models progress and entities gain more experience in applying the requirements, competitive market pressures from investors will encourage greater use of quantitative measures.

Question 7 – Climate resilience

ISSB: Paragraph 15 of the Exposure Draft includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks.

These requirements focus on:

- what the results of the analysis, such as impacts on the entity's decisions and performance, should enable users to understand; and
- whether the analysis has been conducted using:
  - climate-related scenario analysis; or
  - an alternative technique.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it discloses similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term.

It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant-climate related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.

(a) *Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?*

(b) *The Exposure Draft proposes that if an entity is unable to perform climate related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.*

   (i) *Do you agree with this proposal? Why or why not?*

   (ii) *Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?*

   (iii) *Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?*

(c) *Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?*

(d) *Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?*

(e) *Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?*

Climate resilience

7.1 QBE considers that it should made explicit that the requirements in paragraph 15(a) would be subject to there being no breach of commercial sensitivities as they have the potential to go above and beyond the relevant recommendations of the TCFD. These 'additional' disclosures in any detailed form are potentially commercially sensitive and not always quantifiable. In particular, the paragraph 15(a)(iii) disclosure regarding an entity's capacity to adjust or adapt its strategy and business to climate would be challenging to project, and would typically be something that organisations are reluctant to communicate publicly. This reluctance could be particularly acute in respect of forward-looking information that can be the subject scrutiny under consumer and other laws in some jurisdictions, such as Australia.

Scenario analysis

7.2 Positions on scenario analysis by industry are only in their early stages of development and are expected to need considerable time to take shape. While the issue of the standards might give impetus to these developments, the process would need to be subject to wide-ranging consultation with the affected industries. QBE considers that the standards will need to accommodate situations in which the techniques are being continually developed and refined.

7.3 QBE would support the use of alternative assessments if scenario analysis is not available or not applicable for an entity. Undertaking detailed scenario analysis is not applicable or achievable for all entities and should not be mandated.

7.4 QBE notes that scenario analysis is often conducted but not annually. Accordingly, guidance from the ISSB on the way(s) in which a standing analysis would be disclosed/referenced would be of use, particularly all the additional information in relation to the parameters.

Question 8 – Risk management

ISSB: An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value. Such disclosures include information for users to understand the process, or processes, that an entity uses to identify, assess and manage not only climate-related risks, but also climate-related opportunities.

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-related risks. This proposal reflects **both the view that risks and opportunities** can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritisation and response.

Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

8.1 While appreciating that the disclosures are subject to an overall materiality assessment, QBE considers that disclosures about risk management should focus only on the most significant risks/opportunities – for example the top three material risks/opportunities. This would be consistent with the approach adopted by the CDP.

Question 9 – Cross-industry metric categories and greenhouse gas emissions

ISSB: The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose:

(i) greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis;

(ii) transition risks;

(iii) physical risks;

(iv) climate-related opportunities;

(v) capital deployment towards climate-related risks and opportunities;

(vi) internal carbon prices; and

(vii) the percentage of executive management remuneration that is linked to climate-related considerations.

The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

- separately Scope 1 and Scope 2 emissions, for:
  - the consolidated accounting group (the parent and its subsidiaries);
  - the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and

- the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;
- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;
- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and
- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes nonmandatory Illustrative Guidance for each cross-industry metric category to guide entities. [S2 – para 19-21]

Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) *The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?*

(b) *Are there any additional cross-industry metric categories related to climate related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.*

(c) *Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?*

(d) *Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?*

(e) *Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:*

(i) *the consolidated entity; and*

(ii) *for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?*

Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric ory for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

GHG Protocol

9.1 QBE agrees with using the GHG Protocol be applied to measure GHG emissions, including the seven proposed cross-industry metric categories. This is on the basis that the GHG Protocol is currently the most widely used basis.

9.2 We would also support consideration being given to other industry-specific methodologies for Category 15 emissions, which is applicable to investors and companies that provide financial services.

9.3 QBE also suggests that, for an insurer, emissions associated with insurance should be disclosed separately from Financed Emissions. If they are aggregated, the emissions would be double counted. We noted that Insurance-Associated Emissions are only disclosed as a sub-category to Scope 3 Category 15 as there is no other logical place to locate them under the GHG Protocol.

Aggregation/disaggregation

9.4 QBE agrees that emissions should be aggregated and be expressed in CO^2 equivalents.

9.5 QBE considers that Scope 1, 2 and 3 emissions should only need to be disaggregated by constituent greenhouse gas when these relevant constituent emissions sources are material.

Group versus entities associated with the Group

9.6 QBE considers it would be reasonable to require separate disclosure of Scope 1 and 2 emissions for the consolidated entity versus associates, joint ventures, unconsolidated subsidiaries and affiliates, which is aligned with the GHG Protocol and regulatory requirements in various jurisdictions. However, QBE also considers that separate disclosure for associates, joint ventures, unconsolidated subsidiaries and affiliates should only be needed when they are material to the Group based on a measure such as Group net assets. Under the GHG Protocol, which focuses on operational control as opposed to financial control, QBE does not separately disclose information for associates and joint ventures as they are not material to the Group.

9.7 QBE also notes the potential need for relief from separate disclosure of information for associates and joint ventures when the investee does not have access to relevant information about Scope 1 and 2 emissions.

Absolute gross Scope 3 emissions

9.8 QBE considers that the net disclosure of Scope 3 emissions should be permitted. While entities should endeavour to collect information on a gross basis, allowing net disclosure is particularly important because Scope 3 emissions reflect the emissions within the value chain, and suppliers within that chain may be able to offset their emissions and provide customers with net information.

Question 10 – Targets

Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity's targets compare with those prescribed in the latest international agreement on climate change.

The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement.

Paragraphs BC119–BC122 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

(b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

10.1 QBE agrees with the proposed disclosure about climate-related targets on the basis that setting and disclosing performance towards science-based climate-related targets is a core element of a climate transition plan and supports the assessment of an entity's alignment to the goals of the Paris Agreement.

10.2 QBE considers the proposed definition of 'latest international agreement on climate change' is sufficiently clear. We also note that, in the event there is a change to the latest agreement, the ISSB should undertake to provide a relevant transition period, which would depend on the significance of the changes, to allow entities to adapt to any impacts of the changes on the disclosures that would need to be provided under ISSB standards.

Question 11 – Industry-based requirements

The Exposure Draft proposes industry-based disclosure requirements in Appendix B that address significant sustainability-related risks and opportunities related to climate change.

The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. The first set of proposed changes address the international applicability of a subset of metrics that cited jurisdiction-specific regulations or standards. In this case, the Exposure Draft proposes amendments (relative to the SASB Standards) to include references to international standards and definitions or, where appropriate, jurisdictional equivalents.

Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the industry-based requirements.

(a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

(c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

Paragraphs BC149–BC172 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals for financed or facilitated emissions.

(d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

(e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

(f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

(g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

(h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

(i)	*In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?*

Paragraphs BC123–BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements.

(j) *Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?*

(k) *Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.*

(l) *In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?*

Control of standards

11.1 In general terms, QBE concurs with the ISSB's proposed approach of leveraging third-party content, such as the SASB industry-based standards for the reasons outlined in the Basis for Conclusions to [Draft] IFRS S2, while also flagging that there may be a need for further review and consultation around applying specific industry-based standards. However, the Basis for Conclusions does not fully explain the planned way forward for the ISSB on using these standards. In particular, QBE is concerned that, since the ISSB does not control the third-party content, committing to the ISSB standards would, by default, also mean committing to other content that may change without necessarily being the subject of an appropriate due process.

11.2 It would not generally be regarded as acceptable for accounting standards setters to require entities to comply with materials over which the standard setter does not have control.

QBE focus on B17 – Insurance

11.3 The focus for QBE is [Draft] IFRS S2 Climate-related Disclosures *Appendix B Industry-based disclosure requirements Volume B17—Insurance*.

Low carbon technology

11.4 QBE considers that Appendix B should include a definition for 'low carbon technology'. Otherwise, there is likely to be high level of inconsistency in the manner in which disaggregated premium disclosures are made.

Unit of account

11.5 The units of account used by insurers would generally involve the aggregation of individual contracts into groups and/or portfolios or higher levels of aggregation. QBE considers that the levels of disclosure required should match the aggregations used in the relevant circumstances. For example, reinsurance might be purchased to manage risks for a whole portfolio of contracts or multiple portfolios.

11.6 QBE notes that a single portfolio of contracts might, for example, contain a mix of contracts with customers still operating high emission energy networks and energy companies that are investing in low carbon technologies. It would currently be impracticable to make separate disclosures by policy in these circumstances. The ISSB should acknowledge that it may only be feasible to develop more disaggregated disclosures once management information systems are more geared towards producing climate-related information, which would often be beyond the disaggregations required for general purpose financial reporting.

Policies designed to incentivise behaviour

11.7 The 'Industry description' notes that "Insurance companies, through their products, can also create a form of moral hazard, lowering incentives to improve underlying behaviour and performance, and thus contributing to sustainability impacts." QBE considers that this touches on a broader dilemma for setting sustainability disclosure standards for insurers without properly acknowledging that dilemma.

11.8 Insurers are naturally attempting to design contracts that incentivise low-risk behaviours as a strategy for reducing claims. In some cases, this would coincide with attempting to incentivise more sustainable behaviours and in others it would not.

11.9 In the case of contract incentives designed to encourage low-risk behaviours that also have the effect of encouraging more sustainable behaviours – it is not clear whether these should be claimed as being policies designed to incentivise more sustainable behaviours. For example, 'fire mitigation endorsements' seek to reduce the risk of wildfire spreading – the aim is to require the insured to maintain property to avoid a build-up of ignitable material, but the impetus behind the clause is risk management and not 'environmental'. Another example would be climate change exclusions that seek to clarify coverage, as opposed to encouraging environmentally-responsible behaviour.

11.10 The same issue arises in respect of the contrasting cases of risk-mitigation clauses that might encourage less sustainable behaviours. For example, it might be logical for insurers to price insurance for electric vehicles at a higher rate than for conventional vehicles, again on the basis that, while they might have fewer breakdowns, they require more specialist repair when they do break down. Similarly, 'green' buildings might attract a higher insurance risk premium due to increased fire risks from solar panels and electric vehicle charging stations.

11.11 QBE considers that entities should use their best endeavours to isolate information about encouraging low-risk behaviours and more sustainable behaviours. However, we note that, until sufficient research has been conducted into the impacts of the relationship between encouraging low-risk behaviours and encouraging more sustainable behaviours in an insurance context, there needs to be an acknowledgement that sustainability disclosures relating to incentivising behaviours is problematic for the industry.

Commentary/discussion versus analysis

11.12 A number of the disclosures relate to the manner in which contracts might incentivise health, safety, and/or environmentally responsible actions or behaviours. QBE notes that it may be difficult to measure incentivisation of responsible behaviour and the long-term consideration of this behaviour – for example, whether behaviours are intended to be modified only in the short term [say, for the duration of a contract/portfolio] or the long-term. In an insurance industry context, this type of information would need to be built into the underwriting process, which is not generally the case at present. Enhancing the underwriting process to enable the relevant information to be prepared would be a long-term exercise.

11.13 QBE considers that, while commentary/discussion would be appropriate, analysis could be very challenging. It would, for example, be impracticable measure/track behaviour based on offering customer a discount to insure a 'green home' to incentivise energy-saving behaviours. Accordingly, QBE recommends removing the proposed requirement for analysis.

11.14 QBE considers that paragraphs 1 and 2 under 'Metrics' should not be mandated in the absence of a much clearer and narrower framework. Paragraph 1 refers to 'pricing structures' in policies to incentivise health, safety, and/or environmentally responsible actions or behaviours. This would appear to potentially involve a very broad range of matters. The implications would vary across the range of commercial insurance lines. ‘Green’ products (relating to renewables) may have associated technology risk and therefore would be priced accordingly – that is, there would typically be an upwards price implication, not downwards. Similarly, ‘safety’ on an employer liability product would be a more significant factor than on a financial lines policy.

11.15 For the near term, QBE suggests that this proposed disclosure be encouraged and not mandated. As practice and underwriting and management systems develop and the users become more knowledgeable, the content and mandatory status of the disclosures could be reviewed.

Quantitative disclosure

11.16 QBE supports the non-mandatory status of the paragraph 3 quantitative disclosures on the basis that there are practical and commercial issues with disclosing this granular detail of numbers of policies containing specific clauses, and/or disclosing premiums derived from policies incentivising healthy/safe/environmentally friendly actions absent a much clearer definition of what is included in scope. The level of detail being sought appears disproportionate to the value or understanding it would add for users. For example, the number of policies in force, by segment [(1) property and casualty, (2) life, (3) assumed reinsurance] would not give a user an understanding of the size of the contracts or the exposures that would be associated with them.

11.17 QBE considers the qualitative disclosures would need to explain the context because, it would be very difficult for insurers to measure influence (paragraph 3.3) as they do not have holistic oversight of policyholder behaviours. For example, at face value, it might seem appropriate to offer lower premiums for insuring an electric vehicle than a conventional internal combustion engine vehicle. However, it would be impractical for the insurer to know whether the electricity used in the electric vehicle has been generated from renewable or fossil fuels. The qualitative disclosures provided would need to avoid implying that incentives have been provided for more sustainable behaviours when, in reality, that is not the case.

11.18 Insurers would also face barriers to obtaining relevant information on policyholder behaviours. For example, data protection/privacy laws could mean the relevant information is not available for reporting information on insurance contracts designed to reward weight-loss behaviours related to health insurance policies.

Physical risk exposure

11.19 Paragraph 5 would require disclosure of probable maximum loss by ‘relevant geographic regions’. This raises a number of concerns for QBE, including the following;

(a) Probable maximum loss by geographic regions is unlikely to be useful information without substantial context regarding how those risks are managed. Consideration could be given to alternative disclosures, for example, qualitative information about concentrations of risk by particular climate-affected regions.

(b) QBE considers it would only be feasible to provide information about probable maximum loss by geographic regions when the relevant regions coincide with portfolio level disclosure. QBE notes there would be commercial sensitivities around disclosing probable maximum loss at a lower level of aggregation.

11.20 In disclosing monetary losses attributable to insurance payouts, QBE has strong preference for presenting that information using the top 5 modelled and non-modelled events, based on management’s view of material events. QBE considers this provides more useful information than classifying disclosures by ‘modelled’ and ‘non-modelled’ events.

11.21 The impacts of non-modelled risks are much less likely to be readily available disaggregated by geographic segment/region. QBE recommends that this level of disaggregation should not be required.

11.22 Paragraph 6 would require reporting of the policy losses and benefits expenses on a gross and net of catastrophe reinsurance basis. QBE considers that, in some relatively common circumstances, it could be impracticable to report on a net basis because reinsurance can be at an aggregate level – for example, Group-wide excess of loss reinsurance. It may be particularly difficult to identify reinsurance recoveries that would relate to particular risks or events because, for example, multiple events across multiple portfolios interact in affecting the levels of claims recoveries.

11.23 QBE considers it is relevant and practical to provide a description of its approach to incorporating environmental risks into the underwriting process and the management of firm-level risks and capital adequacy. However, it may not be practicable to provide an analysis of that process and QBE recommends removing this proposed requirement.

11.24 It is proposed that "benefits and claims incurred shall be **disclosed** in accordance with IFRS 17 *Insurance Contracts*". Since the disclosure requirements of IFRS 17 are very different from those proposed in the Appendix, QBE considers that it should be made clear that this is intended to mean that claims incurred are '**measured**' using IFRS 17. If that is not the ISSB's intention, the ISSB would need to be clear in identifying the relevant basis for measurement.

Premiums written

11.25 Appendix B requires a number of disclosures in respect of 'premiums written' or 'net premiums written'. QBE notes that these terms are widely understood in the general insurance industry. However, written premium is not a notion or metric that appears in IFRS 17 *Insurance Contracts*.

11.26 Given that aspects of IFRS 17 will change the notion of premium revenue for general purpose financial reporting purposes [such as treating loss portfolio transfers as revenue-producing transactions], to avoid any confusion with the requirements of IFRS 17, it may be helpful for the ISSB to acknowledge the role of conventional industry practice in determining written premium.

Outputs of catastrophe models

11.27 QBE considers the proposed requirement in paragraph 6 that an entity describe how outputs of catastrophe models inform its underwriting decisions may be commercially sensitive to some insurers because it would underpin pricing of insurance contracts issued and reinsurance contracts held. It would put some entities disclosing this information at a competitive disadvantage to other entities that are either not making the disclosures or are able to make them at a level of aggregation that is less commercially sensitive.

11.28 QBE strongly recommends the removal of paragraph 6.1 and its replacement with a principle-based requirement about disclosing the manner in which outputs of catastrophe modelling inform an insurer's underwriting decisions and risk management via reinsurance contracts held. We also note that the ISSB could consider disclosure of 'data scoring' that would allow users to assess the data quality from the scenario/catastrophe modelling for ease of comparison across entities.

Other requirements

11.29 QBE is not aware of any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value.

Question 12 – Costs, benefits and likely effects

> Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.
>
> *(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?*
>
> *(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?*
>
> *(c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?*

12.1 QBE considers that implementing the proposals would add significantly to the costs currently incurred in providing sustainability information. We also note that the cost-benefit assessment would differ for different types of entities. QBE response is in the context of the sustainability standards only being applicable to the consolidated financial statements of publicly-listed entities and any large emitters that are unlisted, with 'large' being determined by local jurisdictions, initially.

12.2 QBE considers many of the proposals are likely to be justifiable on cost-benefit grounds. However, our comments above indicate areas in which QBE considers the benefits would not outweigh the costs associated with preparing the information. In particular for the insurance industry, the following disclosures are not considered justifiable on cost-benefit grounds:

- discussion and analysis of products that incentivise health, safety and environmentally responsible behaviours – please see out comments in response to [Draft] IFRS S2, Q11 above;
- disclosure requirements beyond TCFD requirements and disclosure of commercially sensitive data related to climate metrics; including, in particular, climate resilience – please see out comments in response to [Draft] IFRS S2, Q7 above
- quantifying disclosures around climate resilience as it would not be useful information given the level of judgement and uncertainty/estimation involved and the likely lack of comparability of disclosures between entities.

Question 13 – Verifiability and enforceability

> Paragraphs C21–24 of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability related Financial Information* describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable.
>
> Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.
>
> *Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.*

13.1 QBE considers that the disclosures most likely to pose challenges in terms of verification and assurance would be:

- scenario analysis for short, medium and long term timeframes;

- modelled and non-modelled natural catastrophes as every model would have its own assumptions and limitations;
- industry disclosure specifically related to discussion of products that incentivise health, safety and environmentally responsible actions/behaviours – please refer to QBE's responses to Q11.

Question 14 – Effective date

> Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.
>
> This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 *General Requirements for Disclosure of Sustainability related Financial Information* could take longer to implement.
>
> Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.
>
> *(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?*
>
> *(b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.*
>
> *(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?*

14.1 QBE supports the application of the proposals with **at least** a three-year gap between the final Standards and the commencement date, subject to:

- our comments on other matters raised in the Exposures Drafts that would involve making some proposed requirements non-mandatory and removing others;
- staging the requirements such that more time is provided to implement the more difficult disclosure requirements;
- in some cases, deferring requirements that would only be able to be implemented reliably once practice develops, which could include information on climate resilience and scenario analysis.

14.2 QBE considers that three years [or more] is reasonable for the following reasons.

- While QBE has been reporting in respect of the TCFD requirements for four years, the ISSB proposals would be step up and achieving compliance is expected to involve developing, changing and testing information systems needed to facilitate making the relevant disclosures. This would be similar to the implementation of a complex new or revised IFRS, which normally have a reasonably long period between issue date and application date. For example, IFRS 17 was originally issued in 2017 with an operative date of January 2021, which was subsequently changed to January 2023 on the release of a revised IFRS 17 in 2020. The potential data and system needs that would be required by IFRS S1 and IFRS S2 would be at least as complex and time-consuming to implement for many entities as IFRS 17 has been for insurers.

- Positions on scenario analysis by industry are only in their early stages of development and are expected to need considerable time to take shape. While the issue of the standards might give impetus to these developments, the process would need to be subject to wide-ranging consultation.
- While some businesses will have experience with sustainability-related disclosures, others will not and the level of maturity of an entity's business could impact on the time needed to implement the disclosures.
- Ensuring that the information systems and output can be subject to a relevant level of assurance is also expected to extend the time needed to implement the disclosures.
- The skills and resources needed to implement the changes are in short supply and that situation is not expected to improve in the medium term. The longer the gap between final Standards and commencement, the more effectively the relevant resources can be allocated across the market.
- The ISSB could specifically encourage early adoption for those entities that are best-placed to implement the requirements. QBE notes that there are multiple market incentives that are likely to encourage entities to early adopt. These include published benchmarking and scoring of entities, for example, by the CPD in respect of TCFD disclosures, which can influence the decisions of investors.

14.3 In theory, the commencement dates of IFRS S1 and IFRS S2 would ideally be the same. However, the need for ISSB involvement in disclosures around climate-related risks and opportunities is more urgent. Accordingly, consideration could be given to using staged application dates, which would provide entities with the opportunity to implement the Standards in a phased approach.

Question 15 – Digital reporting

> The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption of sustainability-related financial information, as compared to paper-based consumption, is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* Standards are the sources for the Taxonomy.
>
> It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.
>
> *Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?*

15.1 In principle, QBE supports initiatives to enable digital reporting. However, we note that cost-benefit considerations have meant digital reporting of general purpose financial statements has not gained traction in Australia. This seems largely due to the disconnect between the information used to manage lines of business versus the information that needs to be reported to comply with IFRS Standards. It may also be due to a lack of comprehensive industry-based extensions to the IFRS taxonomy.

15.2 QBE considers that the ISSB's focus should be on setting high-quality and consistent standards and working to have them widely accepted. This should help underpin the demand for digital reporting.

Question 16 – Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value.

Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

16.1 QBE has no comment on Q16.

QIC

29 July 2022

Via email to: commentletters@ifrs.org

Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (‘IFRS S1’)

Dear Sir/Madam,

Thank you for the opportunity to comment on the International Sustainability Standards Board (‘ISSB’ or ‘the Board’)’s Exposure Draft ED/2022/S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (‘IFRS S1’). QIC Limited (‘QIC’ or ‘we’) notes the significance of this standard in the journey towards having a global baseline for sustainability-related disclosures for organisations and appreciate the ISSB’s engagement with stakeholders to obtain feedback.

QIC is a Queensland Government owned investment manager, specialising in alternative assets. QIC manages over AU$90 billion in funds under management for over 110 institutional investors in Australia and internationally. We prepare more than 100 sets of financial statements each year across QIC’s corporate structure and the QIC funds holding the managed investments on behalf of our clients.

QIC currently publishes a QIC Sustainability Report, which discloses the range of sustainability activity undertaken over the financial year in its capacity as an investment manager and as a corporation. This report is aligned to the Global Reporting Initiative’s (GRI) core indicators and includes QIC’s reporting under the Taskforce on Climate-related Financial Disclosure’s (TCFD) framework. QIC strongly supports the Board’s decision to align IFRS S1 to the existing GRI and TCFD frameworks.

This submission focuses on the questions for respondents set out in IFRS S1. QIC commends the Board for this significant step towards more transparent, accurate, comparable and consistent disclosures regarding sustainability practices. QIC recognises that the benefits of such disclosures outweigh their costs in the longer term. However, it is our view that the proposed disclosure requirements in IFRS S1 as currently drafted are too broad and judgemental to allow for useful and comparable information for users of financial statements. QIC recommends the Board revises the requirements in IFRS S1 to narrow some of the significant judgement required in practically applying the standard. QIC’s responses in relation to IFRS S1 are provided in Appendix A to this letter.

In addition, whilst QIC has not separately commented on the ISSB’s Exposure Draft ED/2022/S2 *Climate-related Disclosures* (‘IFRS S2’), we have taken this opportunity to provide our high-level feedback on IFRS S2 below:

- QIC supports a global approach to the development of sustainability disclosure standards and are supportive of the ISSB as the global body to issue these standards. The goal should be a globally consistent, comparable and auditable corporate reporting system (i.e. financial grade) to provide all stakeholders with a clear and accurate picture of an organisation’s ability to create sustainable value over time. We consider it essential to this overarching goal that the ISSB, and other jurisdictions developing sustainability standards, take a coordinated approach to avoid regional inconsistencies.
- QIC supports a common purpose for improved comparable and consistent disclosures and supports the disclosure of scope 3 emissions. However, we note that currently a discrepancy exists between the disclosures that investors want and data availability for reporting entities.

Therefore, a phased approach to achieve full reporting capacity for Scope 3 may be required by some reporting entities.

- QIC notes the challenges with assurance related to scope 3 emissions and scenario analysis models due the range of inputs and variability in estimation methodologies. A clear disclosure of assumptions would support the assurance process and enable users to understand the information.
- QIC also supports the use of the GHG Protocol as the correct way to go about measuring Scope 1-3 emissions.

If you require further information on our views expressed in this submission, please contact Kerry Sanders, General Manager Finance Solutions at k.sanders@qic.com or Kate Bromley, General Manager Responsible Investments at k.bromley@qic.com.

Yours sincerely,

CMBlake

Claire Blake

Chief Financial and Operating Officer

Appendix A: Responses to the questions for respondents

Question 1 – Overall approach
a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?
b) Do you agree that the proposed requirements set out in the ED meet its proposed objective (para 1)? Why/why not?
c) Is it clear how the proposed requirements set out in the ED would be applied together with other IFRS Sustainability Disclosure Standards, including the [DRAFT] IFRS s2 Climate-related Disclosures? Why/why not? If not, what aspects of the proposal are unclear?
d) Do you agree that the requirements proposed in the ED would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposal? If not, what approach do you suggest and why?

(a) The ED is clear on the requirement to disclose material information about all sustainability-related risks and opportunities. However, the requirements in the ED necessitate further clarification to enable the preparers of financial statements to disclose comparable information across organisations that would be useful to the users of these financial statements.

(b) QIC broadly agrees that the proposed requirements set out in the ED meet the proposed objective of requiring an entity to disclose information about its significant sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reporting when they assess enterprise value and decide whether to provide resources to the entity. However, we note that further clarifications are needed, such as:

- further clarification on how entities are to quantify the 'significance' and 'materiality' of various sustainability-related information, as it relates to users of general purpose financial reports
- there being various groups of primary users of financial statements for the purposes of assessing an organisation's enterprise value, each of whom will have varied lenses for how they assess enterprise value.

It would be helpful if the ED referred to a stakeholder engagement approach combined with the materiality assessment above to ensure 'all' issues are captured i.e. issues that are significant for individual stakeholders may not be considered material for the entity.

(c) Similar to the existing International Financial Reporting Standards ('IFRS') where the Conceptual Framework and IAS 1 *Presentation of Financial Statements* ('IAS 1') set out the hierarchy of how accounting standards are applied, it would be helpful for preparers of financial statements for there to be clearer guidance on the application and interaction between not only IFRS S1 and IFRS S2 *Climate related Disclosures* ('IFRS S2') but also any further IFRS Sustainability Disclosure Standards that may come into effect in the future. In their current form, there is some uncertainty as to how IFRS S1, IFRS S2 and future IFRS ISSB standards should be applied together. IFRS S1 specifies that an entity should avoid unnecessary duplication of 'common items of information', but currently there are duplicative requirements in the IFRS S1 and IFRS S2 standards.

(d) The requirements in the standard as currently drafted are extremely broad, which will create significant challenges in assuring/auditing and enforcing the standards. The proposed objective of the exposure drafts is to: provide information to the primary users of the financial statements to enable them to assess enterprise value. QIC is concerned about the ability for auditors to determine the accuracy and completeness of an entity's disclosures. QIC recommends the Board provides more and / or more clearly defined disclosure requirements.

Question 2 – Objective

The ED focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

a) Is the proposed objective of disclosing sustainability-related financial information clear? Why/why not?

b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why/why not? If not, do you have any suggestions for improving the definition to make it clearer?

(a) Yes, the standard is clear on the objective of requiring organisations to disclose sustainability-related financial information in the financial statements, being the ability for primary users of the financial statements to assess the organisation's enterprise value.

(b) The definition of 'sustainability-related financial information' is linked to the definition of 'enterprise value'. There may be various primary users of the financial statements who view enterprise value through different lenses, therefore making it more difficult for the preparers of financial statements to ensure that the most relevant and useful information is disclosed in accordance with the standards.

Question 3 – Scope

Do you agree that the proposals in the ED could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

Yes, the disclosures required by IFRS S1 can be applied to financial statements prepared in accordance with any jurisdiction's GAAP.

Question 4 – Core content

a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why/why not?

b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why/why not?

(a) and (b)

QIC supports the alignment of the disclosure objectives and requirements for governance, strategy, risk management and metrics and targets in the standard with the current TCFD reporting requirements and broadly agrees with these requirements.

QIC is an investment manager of various asset classes. The governance processes, strategy, risk management and metrics on each of these asset classes, as well as QIC as a corporate entity, are varied and not directly comparable. For example, a sustainability related risk on real estate assets managed by QIC may be the risk of flooding. The management and metrics around this risk would be vastly different to a sustainability-related risk in the private equity investments that QIC manages, which for example may be the risk of investing in a market that is being impacted by new regulations or changing social considerations. Therefore, under the current reporting requirements of the TCFD, QIC reports separately on each asset class. However, disclosing all such information as part of QIC's value chain in the QIC Limited consolidated financial statements may not be meaningful to the primary users of the financial statements in assessing the enterprise value of QIC. Therefore as mentioned above, further guidance in the ED in relation to identifying the primary users of the information and defining materiality will be helpful in providing more relevant and useful disclosures under the core disclosure requirements of the standard.

Further, paragraph 22(c) requires the disclosure of expected changes in financial position including major acquisitions and divestments as well as planned sources of funding to implement an entity's strategy. Our view is that such information may be commercially sensitive information that may also create legal risk and potentially compromise our fiduciary duty to our clients. This disclosure requirement should be refined to take into consideration such risk.

Question 5 – Reporting entity

The ED also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

b) Is the requirement to disclosure information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

(a) Yes, sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements to allow for connectivity between the sustainability-related financial information and other financial information.

(b) The value chain of an organisation such as QIC, being a government owned corporation and an investment manager for various clients in various asset classes, is wide and far-reaching. Therefore, the consistent application of the disclosure requirements in this standard to all aspects of QIC's value chain, without further clarification, is complex and challenging. Further clarity is required in how the value chain as defined in the standard interacts with the accounting standards – for example, do 'sources of finance' include leases accounted for under AASB 16 *Leases,* which are treated as financial liabilities. Similarly, do investments that an entity 'controls' include investments that an investment manager has power over but does not control under the definition of AASB 10 *Consolidated Financial Statements*?

(c) Yes, the sustainability-related financial information should be read in connection with the related financial statements to provide more complete information regarding the organisation's enterprise value.

Question 6 – Connected information
a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not? **b)** Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

(a) While the need for connectivity between various sustainability-related risks and opportunities is clear, as noted in responses to questions above, it becomes more challenging to provide this connectivity the broader the value chain of an organisation is.

(b) Yes, sustainability-related financial information should be understood in connection with other information disclosed in the financial statements for its primary users to best understand their impacts on an organisation's enterprise value.

Question 7 – Fair presentation
a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information clear? Why or why not? b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? **c)** Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the ED.

(a) The proposal to present fairly the sustainability-related risks and opportunities is clear. However, given the judgement involved in identifying and quantifying such information, assessment of whether information is presented fairly would be problematic and subjective.

(b) QIC agrees with the sources of guidance to identify sustainability-related risks and opportunities. and related disclosures

(c) No comments.

Question 8 – Materiality
a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why/why not? b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity including over time? Why/why not? c) Is the ED and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why/why not? If not, what additional guidance is needed and why? **d)** Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the ED if local laws or regulations prohibit the entity from disclosing that information? Why/why not? If not, why?

(a) – (d)

In QIC's view, the definition of materiality is not clear in the context of sustainability-related financial information.

For example, in paragraphs 57 and 58, it is unclear whether materiality should be centred only around potential effects to an entity's enterprise value, or more broadly – the effects '…that could reasonably be expected to influence decisions that the primary users of general-purpose financial reporting'. QIC notes that while materiality could be determined by using existing frameworks and standards, it is practice under some frameworks to also include some form of stakeholder engagement to ensure a broader perspective of 'materiality'.

Determining what should and should not be considered material to the users of the financial statements would require a high level of judgement and subjectivity. This in turn would reduce the ability for the information to be comparable across industry and would create undue speculation for auditors and regulators.

Given the high subjectivity and judgements required to determine the nature of 'materiality', it would be helpful for the ISSB to provide further guidance on the application of materiality – with explicit examples of when information would be considered material' versus immaterial and in-scope versus out of scope.

QIC agrees that materiality should be re-assessed at each reporting period to provide the most relevant information to the users of the financial statements.

Question 9 – Frequency of reporting
Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statement to which they relate? Why/why not?

Yes, QIC agrees that sustainability-related financial disclosures should be provided at the same time as the financial statements to which they relate, to enable the users of the financial statements to best assess an organisation's enterprise value. In practice it may be challenging to provide all sustainability data in the same timeframes as financial data. However, QIC notes that this may be a short-term issue as sustainability data management processes mature to the level of the processes that have been established over time to deliver financial reporting.

Question 10 – Location of information
The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication. a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why/why not? b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location? c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why/ why not? **d)** Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why/why not?

(a) – (d)

QIC agrees that the sustainability-related financial disclosures that are subject to assurance requirements are best located as part of the financial statements. We also agree that such disclosures, where included elsewhere in the financial statements as part of other disclosure requirements, should be cross-referenced rather than repeated.

Question 11 – Comparative information, sources of estimation and outcome uncertainty, and errors
The ED sets out: • Proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. • A proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible a) Have these general features been adapted appropriately into the proposals? If not, what should be changed? b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives? **c)** Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

(a) – (c)

QIC agrees that a consistent approach should be taken for an entity's sustainability-related disclosures and its financial statements. We therefore believe that, where prior period sustainability-related disclosures require a change due to a change in estimate, this should be updated in the current period disclosures rather than a re-statement of comparatives, similar to the current requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In addition, the use of estimated data is unavoidable when it comes to sustainability-related reporting. In some circumstances actual data will never supersede estimates, but when new (more sophisticated) estimation methodologies become available, the 'old estimates' will be revised. QIC would also appreciate the ISSB clarifying whether re-statement is required for improved estimation techniques.

Question 12 – Statement of compliance

The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

Yes, QIC agrees with the proposal on statement of compliance.

Question 13 – Effective date

When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

(a) An effective date for reporting periods starting on or after at least 24 months from the issuance of the standard is recommended. In addition, the effective date for the disclosure standard should align with the effective date of any related assurance standards. Organisations will require a minimum of 24 months to understand the requirements of the standard, collate required data and work through the judgemental aspects of the standard in conjunction with their auditors, prior to disclosing in the financial statements for reliance by users.

(b) Yes, QIC agrees with the ISSB providing relief from disclosing comparatives in the first year of application. While comparatives are always useful information for users, for preparers of the financial statements the burden of collating information historically outweighs the benefits associated with such disclosures, particularly when processes around the collating of such data are still being implemented.

Question 14 – Global baseline

The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

QIC strongly supports the establishment of a global baseline. However, we anticipate this will be especially difficult given the subjective and qualitative nature of many aspects of the ED as currently drafted.

Question 15 – Digital reporting

To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 Climate-related Disclosures Standards are the sources for the Taxonomy.

At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

No comments.

Question 16 – Costs, benefit and likely effects

a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

(a) – (b)

QIC applauds this significant step towards organisations disclosing more transparent, accurate, comparable and consistent information regarding their sustainability practices. We recognise that the benefits of such disclosures outweigh their costs in the longer term.

However, as noted in responses to above questions, in our view the proposed disclosure requirements in IFRS S1 are too broad and require significant judgement by reporting entities, limiting their ability to provide useful and comparable information for the users of financial statements. There will be considerable costs associated with strengthening existing internal financial and sustainability reporting capabilities and obtaining external data assurance across multiple asset classes.

Question 17 – Other comments
Do you have any other comments on the proposals set out in the ED?

No comments.

1 August 2022

Rebekkah Markey-Towler

PhD Candidate, Melbourne Law School

University of Melbourne

Australia

Attn: commentletters@ifrs.org

Re: IFRS S2 Climate-related Disclosures

Dear IFRS,

My name is Rebekkah Markey-Towler. I am a PhD candidate at the Melbourne Law School, University of Melbourne. My PhD is looking at the financial regulation of climate change impacts on commercial banks' mortgage portfolios. I apologise for the lateness of this submission. Below are brief comments on Appendix B Industry-based disclosure requirements Volume B16 Commercial Banks and Volume B19 Mortgage Finance. These are possible ideas for the further development of the guidance:

- Ensuring that climate risks are integrated into banks' decision-making. This includes in terms of assessing whether to provide finance initially, and integrating climate considerations into ongoing Risk Management Systems.
- Scenario analysis should be based on a realistic assessment of a future warmed world. This would go beyond the best-case scenario or the worst-case scenario, but realistic scenarios that are relevant for particular regions should be included. The assumptions underpinning this scenario analysis ought to be openly disclosed.
- Ensuring that banks are 'proactive' rather than 'reactive'. For example, identifying vulnerable customers ahead of time and providing them with support, and ensuring that affordable insurance is able to be maintained by customers over time.
- Requiring continuous disclosure of how climate risk is factored into property valuations, not only when banks' initially provide finance for borrowers but also over the lifetime of the loan.
- Requiring continuous disclosure of how climate risk is factored into banks' assessment of borrowers' affordability/capacity, including how this might change over time. For example, customers may experience higher levels of mortgage stress over time.
- Including a broader conception of climate risk to mortgage portfolios in the standard beyond flood risk such as bushfires, cyclones, and coastal hazards.
- While B16 refers to disclosing the financed emissions associated with asset classes, B19 does not make a cross reference to this requirement. In other words, consider whether B19 should explicitly reference to the need to disclose the emissions associated with their mortgage portfolio and providing a common standard for setting this.

- Recognition the banks’ might also take advantage of the opportunity associated with their mortgage portfolios. For example, assisting customers to decarbonise their homes through energy efficiency measures.

Please disregard these comments if it is inappropriate for these to be accepted.

Kindest regards,

Rebekkah Markey-Towler

Comment letter: [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

29 July 2022

Overview

The Responsible Investment Association Australasia (RIAA) thanks the international Sustainability Standards Board (ISSB) for the opportunity to comment on [Draft] IFRS S1.

RIAA strongly supports the ISSB's mission of establishing a comprehensive global baseline for broader sustainability-related disclosures. The ISSB Standards will significantly improve the extent and accuracy of sustainability-related information in our markets. It will enable investors and others to more accurately gauge the risks and value of companies, and to make better-informed decisions. It will ultimately boost efforts towards improving sustainability outcomes globally, including under the UN Sustainable Development Goals.

The draft Standard is a significant step forward in establishing comprehensive and consistent disclosure of sustainability risks and opportunities beyond climate change. This reflects the importance of a range of corporate sustainability issues to investors. These include nature-related risks and opportunities, and those related to the human rights of First Nations Peoples, workers and other impacted communities.

Provided the general standard is fit-for-purpose, it will strengthen the comprehensiveness, comparability and utility of disclosures under emerging standards for many years. S1 is a particularly important global 'building block'. While we are broadly supportive of the objectives of proposed S1, this submission makes a number of recommendations that could improve the clarity of the Standard and better enable reliable and consistent disclosures to be made under the standard.

Recommendations

1. Clarify that the definition of 'materiality' focuses on long term view and a consideration of a company's impacts and dependencies on people, the planet and the economy as an important element of S1.
2. Remove 'significant' from S1 and require an entity to identify material information with investors.
3. Require an assessment of board member skills and competencies in sustainable development and sustainability risk in Governance disclosures.
4. More clearly define 'value chain'.
5. Require entities to describe their value chain.
6. Require entities to disclose the standards and guidance they are using in their disclosures.
7. Refer to a list of current guidance sources, which is published and maintained by the ISSB.
8. Clarify the process for materiality assessment, including how time horizons should be incorporated.
9. Clarify how reporting entities can integrate the disclosure of common information.
10. Provide guidance clarifying what constitutes 'reasonable' estimates and what disclaimers/qualifiers on disclosures are acceptable under the Standard.
11. If a reporting entity does not provide historic data for revised metrics, require the entity to explain why.
12. Closely align S1 with other global standards in development, including the TNFD.

Response to questions

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Question 1—Overall approach
The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.
Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?
(b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?
(c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?
(d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

In RIAA's view, overall the proposals are reasonably clear in relation to what an entity would be required to disclose and how S1 and S2 will be applied together (subject to our specific comments below). The proposals broadly meet the stated objectives of S1. However, improvements could be made regarding the clarity of 'material' and 'significant'.

Firstly, the definition of materiality encompasses a broad view of the risks and opportunities that may affect enterprise value. This includes 'information about a company's impacts and dependencies on people, the planet and the economy when relevant to the assessment of the company's enterprise value'.[1]

From an investor perspective, enterprise value encompasses the external impacts a company has on people, planet and the economy that will financially impact the company in the medium to long term. These would include external impacts that lead to consumer backlash, stranded assets, action by regulators, litigation, law reform or other potential consequences which will affect enterprise value. A long-term view of enterprise value is critical to investors as primary users of the disclosures under the proposed standards. This comprehensive interpretation of materiality on enterprise value – sometimes referred to as double materiality – is an important element of the standards that should be further clarified by the ISSB.

Secondly, the term 'significant' in S1 (as well as S2) is not clearly defined and is causing some confusion. We recommend that instead, entities be required to disclose material information, and work to identify and clearly justify what is material.

While we are not best placed to comment on whether the proposals are suitable for auditors and regulators, we have provided comment below on where there may be challenges for investors in verifying information.

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[1] ISSB, *Snapshot of Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Exposure Draft S2 Climate-related Disclosures*, page 3

Recommendation 1: Clarify that the definition of 'materiality' focuses on long term view and a consideration of a company's impacts and dependencies on people, the planet and the economy as an important element of S1.

Recommendation 2: **Remove 'significant' from S1 and require an entity to identify material information with investors.**

Question 2—Objective

(a) *Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?*

(b) *Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?*

In RIAA's view, the proposed objective is clear.

Question 3—Scope

Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

RIAA is not placed to comment on this, particularly given Australia and New Zealand have adopted the IFRS Accounting Standards.

Question 4—Core content

(a) *Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?*

(b) *Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?*

In RIAA's view, the objectives for each pillar are generally clear and appropriate.

We note that Governance disclosure requirements may be particularly important. Governance disclosures enable investors to assess whether the oversight, processes, lines of responsibility, internal controls and other requirements are in place for an entity to pursue its strategy, manage its risks and meet its targets.

The core disclosure requirements could be improved by:

- Requiring an assessment of board members' skills and competencies in sustainable development and sustainability risks, through, for example, a skills matrix (related to paragraph 13(a)),
- more clearly defining 'value chain'.

Recommendation 3: Require an assessment of board member skills and competencies in sustainable development and sustainability risk in Governance disclosures.

Recommendation 4: More clearly define 'value chain'.

Question 5—Reporting entity

(a) *Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?*

(b) *Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?*

(c) *Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?*

RIAA broadly supports these proposals. They will provide a clearer, more comprehensive and integrated picture of the entity, connecting sustainability-related information to the entity's financial statements.

However, to ensure the disclosures are meaningful to users, the Standard should require entities to describe their value chain, to ensure the extent of the business that has been considered in the disclosures is clear. In addition to our recommendation under Question 4, this requirement will better clarify the extent and nature of a company's strategy and disclosures.

Recommendation 5: Require entities to describe their value chain.

Question 6—Connected information

(a) *Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?*

(b) *Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?*

RIAA broadly agrees with the connectivity requirements, which reflect the close relationship between various elements of general purpose financial reports and sustainability reports. This will encourage more fit-for-purpose reporting, enabling investors to understand how sustainability risks and opportunities are being managed and how these feed into a company's financial outlook.

Question 7—Fair presentation

(a) *Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?*

(b) *Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.*

RIAA supports the principles-based requirements to:

- provide additional disclosures to where needed to enable users to assess the implications of sustainability risks and opportunities on enterprise value, and
- not obscure information or aggregate dissimilar information.

To improve consistency of approach when reporting aggregated information, the guidance could provide further detail and clarity on which 'characteristics' a company should consider when deciding whether or not to aggregate information.

We broadly agree with the sources of additional guidance identified in the draft Standard. This requirement could be enhanced by the Standard requiring reporting entities to disclose which standards and guidance they are using, and by the standard referring to a current list of relevant guidance sources published and maintained by the ISSB (for example, on the ISSB's website).

Recommendation 6: Require entities to disclose the standards and guidance they are using in their disclosures.

Recommendation 7: Refer to a list of current guidance sources, which is published and maintained by the ISSB.

Question 8—Materiality

(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

(b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

(c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

RIAA broadly agrees that the definition of 'materiality' is clear, and reiterate our earlier comments about the breadth of the materiality definition under the Standard.

However, the process and application set out in the draft Standard and the guidance could be clearer on some aspects, such as how an entity incorporates the different time horizons into the materiality assessment. We note the Principles of Responsible Investment's (PRI's) draft submission (pp 20-21) makes recommendations as to how the process could be clarified to provide a more meaningful materiality assessment. Clarity in the assessment process is very important, in order to make disclosures consistent and comparable for investors and other users.

In relation to the proposal to relieve an entity from disclosing information if local laws or regulations prohibit it, we are not currently aware of any such laws or regulations in Australia or Aotearoa New Zealand. If this proposal is justified by requirements in particular jurisdictions, and forms part of the final Standard, we support it being subject to the requirement to identify the type of information not disclosed and the relevant restriction. The omission of material information is relevant for investors to know, and we would expect reporting entities to take a limited and consistent approach to non-disclosure.

It will be important in the implementation of the Standards that local laws such as those related to privacy and business confidentiality are not unduly used to prevent disclosures, and that jurisdictions are encouraged to consider this.

Recommendation 8: Clarify the process for materiality assessment, including how time horizons should be incorporated.

Question 9—Frequency of reporting

Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

RIAA supports this approach, which will ensure there is connection and consistency between relevant aspects of the financial statements and sustainability disclosures.

Our preference is to aim towards a position where there is aligned reporting but we recognise the existing practical limitations on the ability to do so. We note that where investors are also reporting entities, they will heavily rely on investee company disclosures, which are provided at different times and relate to different reporting periods. This will raise challenges for investors preparing disclosures, particularly in the early reporting periods. Experiences and lessons learned from entities that are reporting against TCFD standards will be important to understand in this regard.

Question 10—Location of information

(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why or why not?

(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

RIAA agrees with the proposals about the location of sustainability disclosures. Although it means disclosures may be less consistent and comparable for users, it accounts for any differences in domestic implementation, and should enable a reporting entity to provide information in the most appropriate way for the particular users of its disclosures.

We are not aware of any requirements in Australia or Aotearoa New Zealand that would interfere with an entity providing the information as required.

We support the proposal that information can be provided by cross-reference. We note the PRI's draft submission (p 22) that this provision should be subject to the information being subject to the same checks and/or audit as the general purpose financial reporting.

Clause 78 could be clearer if it explicitly stated how the disclosure of common information can or should be integrated, for example, by stating that common information should be included under the core content/four pillars.

Recommendation 9: Clarify how reporting entities can integrate the disclosure of common information.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors

(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?
(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?
(c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

In RIAA's view, these features are well-balanced and have been adapted appropriately in the draft Standard.

The provisions on measurement uncertainty, aggregated risk, disclosure of assumptions and disclosure of errors will all go towards increasing investors' confidence that they can rely on the disclosures. While acknowledging the inherent uncertainties in providing information about future events and outcomes, disclosure of this information – across a broad range of sustainability issues – is becoming increasingly important for investors to assess and incorporate into decision making. The guidance could aide in the preparation of consistent and useful disclosures by clarifying what constitutes 'reasonable' estimates, and what disclaimers/qualifiers on disclosures are acceptable under the Standard.

We support the requirement to disclose revised metrics in comparatives, including on a historical basis where it is available and material to users (as it often will be to investors).

This will be particularly important in early reporting periods, as data and methodologies develop, and presumably improve, across a range of industries and areas of sustainability. Robust disclosure of methodologies and assumptions will be critical as data and metrics develop. This enables investors to assess how effectively a company is working towards more complete and insightful disclosures about its position and strategy. The guidance should clarify that if an entity does not adjust historic reporting, it should disclose why.

We agree that the financial data and assumptions in sustainability disclosures should be consistent with those that correspond in financial statements. We are not aware of any circumstances in Australia and Aotearoa New Zealand where this will not be able to be applied.

Recommendation 10: Provide guidance clarifying what constitutes 'reasonable' estimates and what disclaimers/qualifiers on disclosures are acceptable under the Standard.

Recommendation 11: If a reporting entity does not provide historic data for revised metrics, require the entity to explain why.

Question 12—Statement of compliance

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

RIAA supports the proposal that an entity include an explicit and unqualified statement that it has complied with the sustainability Standard requirements. This will assist with investors' verification of information.

However, we refer to our comments above about relief from making certain disclosures where prohibited under local laws or regulations. Given the global nature of markets, we note the inherent risks in a situation where investors are relying on disclosures made by an entity claiming compliance without having made full disclosures under the Standard. We are not aware of any need for this relief in Australia and Aotearoa New Zealand. If this relief is required, clear information about the non-disclosure and the reason will be important.

Question 13—Effective date

(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

While the ISSB may have further work ahead in developing S1, RIAA would submit that the effective date should not prevent jurisdictions which are leading or well-progressed on sustainability disclosures to adopt the Standard, with appropriate, tailored domestic transition arrangements.

Question 14—Global baseline

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

In RIAA's view, the proposed global baseline is broadly suitable for the intended purpose, particularly as it builds on established elements of the TCFD framework. We are not aware of anything that would prevent the Standard being used as intended in Australia and Aotearoa New Zealand.

Question 15—Digital reporting

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

While RIAA broadly supports the proposed approach, we do not have any specific comments at this stage.

Question 16—Costs, benefits and likely effects

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

The ISSB Standards, as a comprehensive global baseline for sustainability-related disclosures, should significantly improve the consistency, reliability and comparability of sustainability related disclosures globally.

A global baseline will enable investors to better understand, compare and analyse disclosures. This will boost understanding of their investment risks, shape investment strategies and make more efficient decisions. It will also enable investors to meet their beneficiaries' increasing expectations of management and transparency on sustainability issues.

From the perspective of reporting entities, a comprehensive global baseline would, over time, streamline reporting costs, lower transaction costs, facilitate smoother cross-border capital flows, reduce market segmentation and increase market confidence, and has the potential to improve internal understanding of risks and opportunities. It could inform more sustainable business opportunities and ventures. 'Good' reporting against the ISSB Standards will signal to investors that an entity is committed to improving the sustainability of its business, and is capably managing its related risks and opportunities.

RIAA sees value in ISSB considering First Nations Peoples' rights as a key sustainability issue in a future program of work. The prompt implementation of the ISSB's comprehensive global baseline domestically will enable more progressed countries to swiftly move forward with enshrining a range of sustainability disclosures.

Question 17—Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

We agree with the PRI's draft submission (p 28) regarding the need for the ISSB Standards to support the 'building blocks' approach. That approach will enable entities to go beyond the ISSB Standards' focus on 'enterprise value', meet the requirements of different jurisdictions' regulations, or the Global Reporting Initiative and prepare for the baseline to be lifted in the future.

We support the PRI's comments that consistency and alignment is needed in conceptual frameworks and common disclosures (pp 28-29).

We note that the draft Standard is being developed in parallel to the Taskforce on Nature-related Financial Disclosures (TNFD) framework, which is currently in the early beta phase. We urge close alignment of the ISSB's and TNFD's work, to ensure robust, consistent global standards emerge from the valuable work being undertaken by both organisations. The same is important in the development of any other global standards.

Recommendation 12: Closely align S1 with other global standards in development, including the TNFD.

About RIAA and our members

RIAA champions responsible investing and a sustainable financial system in New Zealand and Australia and is dedicated to ensuring capital is aligned with achieving a healthy society, environment, and economy.

With approximately 500 members managing more than US$29 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across New Zealand and Australia. RIAA's membership includes superannuation funds, KiwiSaver default providers, fund managers, banks, consultants, researchers, brokers, property managers, community trusts, foundations, faith-based groups, financial advisers, financial advisory groups, and others involved in the finance industry, across the full value chain of institutional to retail investors.

Comment letter: [Draft] IFRS S2 Climate-related Disclosures

29 July 2022

Overview

The Responsible Investment Association Australasia (RIAA) thanks the International Sustainability Standards Board (ISSB) for the opportunity to comment on [Draft] IFRS S2 *Climate-related Disclosures*.

RIAA strongly supports the ISSB's mission of establishing a comprehensive global baseline for climate disclosures, building on established standards including the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

The ISSB Standards will significantly improve the extent and accuracy of climate-related information in our markets. It will enable investors and others to more accurately gauge the risks and value of companies, and to make better-informed decisions. It will ultimately boost efforts towards improving sustainability outcomes globally, including our commitments to the Paris Agreement goal and net zero targets.

While we are broadly supportive of proposed S2, this submission makes a number of recommendations that could improve disclosures from the perspective of investors.

Recommendations

1. Require disclosures of an assessment of board skills and competencies in climate change.
2. Remove 'significant' from S2 and require an entity to identify material information with investors.
3. Define short, medium and long-term time horizon ranges to improve comparability of time horizons.
4. Require entities to describe their value chain.
5. Require disclosure of interim targets and governance structures/line of responsibility to enable investors to understand how a company is implementing its transition plan.
6. Require entities to disclose the methodologies used in disclosures on the effects of climate risks and opportunities on financial position and performance and cash flows.
7. Require entities to undertake scenario analysis to assess their climate resilience.
8. Provide more detailed guidance on how to prepare disclosures on management of opportunities, as well as risks.
9. In the cross-industry metrics, require disclosure of the location of the main assets, facilities, operations and suppliers in areas at risk of extreme weather events.
10. Require entities to disclose methodologies for calculating scope 3 emissions.
11. Clarify in the standard that the definition of 'materiality' focuses on long term view and a consideration of a company's impacts and dependencies on people, the planet and the economy as an important element of S2.

Response to questions

IFRS S2 Climate-related Disclosures

Question 1—Objective of the Exposure Draft

(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?
(b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?
(c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

RIAA supports the objective of the S2 Exposure Draft. In our view, the requirements set out in Exposure Draft S2 broadly meet the objective.

Climate-related disclosures should enable investors to not only assess the impacts of climate-related risks and opportunities on an entity, but importantly to understand the entity's strategy and how it is placed to respond and adapt. This information is critical to investors when assessing the effects of climate-related risks and opportunities on the entity's enterprise value. The type of information disclosed under S2 is immediately useful to investors, and will become more important over time, as the impacts of climate change increase and change.

The proposed S2, in creating a comprehensive global baseline for climate-related disclosures, will play an important role in providing investors with comprehensive, relevant, comparable and reliable information on which to base their decisions. The type of information disclosed under S2 will be particularly valuable given the medium to long term horizons investors operate within. Over time, the proposed S2 has the potential to improve the quality and availability of critical data and information available to investors, and enhance investment strategies.

Question 2—Governance

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

RIAA broadly supports the disclosure requirements under the governance pillar, in particular:

- how often the board is informed about climate-related risks and opportunities (paragraph 5(b)), and
- whether climate-related performance metrics are included in remuneration policies (paragraph 5(f)). Reliable and comparable information on remuneration is important for investors to understand the incentives driving an entity's strategy and actions.

Disclosures under this pillar could be further enhanced by requiring, in addition to 5(c), an assessment of board members' skills and competencies in climate change, through, for example, a skills matrix.

Recommendation 1: Require disclosures of an assessment of board skills and competencies in climate change.

Question 3—Identification of climate-related risks and opportunities

(a) *Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?*

(b) *Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?*

RIAA agrees with these proposed requirements. While overall the proposed requirements to identify and disclose a description are clear, the disclosures could be clearer to investors if S2 were amended as follows:

- Remove the term 'significant'. This term is not clearly defined and, from discussions we have had, is causing confusion. We recommend that instead, entities be required to disclose material information, and work with investors to identify what should be considered material.
- Define ranges for short, medium and long-term time horizons, for example, as is the case in EFRAG Exposure Draft ESRS E1 Climate change (paragraph AG 18). Consistency in time horizons would improve the comparability and clarity of this information for investors.

Recommendation 2: Remove 'significant' from S2 and require an entity to identify material information with investors.

Recommendation 3: Define short, medium and long-term time horizon ranges to improve comparability of time horizons.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain

(a) *Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?*

(b) *Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?*

RIAA broadly supports these proposed requirements. Provided entities define their value chain clearly, the proposed requirements should give investors a clear and comprehensive picture of where in an entity's business and time horizon its climate-related risks and opportunities lie.

We acknowledge the challenges that can arise in quantifying the climate-related risks and opportunities in different parts of the value chain. Further guidance on the broad categories on which to report may assist entities to make more consistent – and therefore useful – disclosures.

The requirement could be improved by requiring entities to describe their value chain, so that investors understand the extent of the business that has been considered in the disclosures.

Recommendation 4: Require entities to describe their value chain.

Question 5—Transition plans and carbon offsets

(a) *Do you agree with the proposed disclosure requirements for transition plans? Why or why not?*

(b) *Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.*

(c) *Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?*

(d) *Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?*

RIAA supports the proposals for transition plans, as this information is critical for investors to assess the likely medium to long term value of an entity. Additional information that would be enable investors to better understand how a company is implementing its transition plan includes:

- interim targets, to set out and track the trajectory towards long term goals, and
- the governance structures and lines of responsibility to achieve the transition plan.

The proposed detail on carbon offsets (in paragraph 13(b)(iii)) should enable investors to understand how an entity is reducing emissions, and the credibility and integrity of the offset component. It is important information for an investor to assess an entity's real progress on reducing its impact on climate change, as well as its performance against its transition plan and other aspects of its disclosures.

Recommendation 5: Require disclosure of interim targets and governance structures/line of responsibility to enable investors to understand how a company is implementing its transition plan.

Question 6—Current and anticipated effects

(a) *Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?*

(b) *Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?*

(c) *Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?*

RIAA agrees with the requirements for disclosing current and anticipated effects of climate-related risks and opportunities on financial position and performance and cash flows. In particular:

- Quantitative information is highly valuable in investor decision-making, however in absence of quantitative information, qualitative information is useful in decision-making. We expect that as data and methodologies develop over time, entities will disclose more and more quantitative information.
- The requirement to link climate-related risks and opportunities to financial performance and position and cash flows will provide tailored information to better enable investors to assess an entity's financial outlook.
- Disclosures on the effects of climate risk and opportunities over the short, medium and long term should provide investors with an appropriate understanding of the how the entity will be placed over an investor's time horizon, which is particularly important for long-term investor decision-making.

Entities should also be required to disclose the methodologies used in these disclosures, to better enable investors to compare information between entities and assess how robust the Information is, particularly forward-looking statements.

Recommendation 6: Require entities to disclose the methodologies used in disclosures on the effects of climate risks and opportunities on financial position and performance and cash flows.

Question 7—Climate resilience

(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

(b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?

(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

(c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

(e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

RIAA agrees with the proposed requirements in paragraph 15(a). This will provide investors with information about entity resilience that is particularly important for long-term decision-making.

We do not agree with the proposal that entities can use alternatives to scenario analysis. In our view, entities should be required to undertake scenario analyses, as is the case under the TCFD recommendations.

Scenario analysis provide investors with critical information about the changing climate risks and opportunities to an entity over time, and the viability and resilience of an entity's strategy in light of those risks and opportunities. We expect that the rigour and quantitative detail of scenario analyses will improve over time.

Overall, we support the proposed disclosures about an entity's climate-related scenario analysis. This information will enable investors to assess how appropriate the scenario analysis is in giving a clear picture of the resilience or otherwise of an entity.

From the user perspective, the cost benefit of climate scenario analysis is clear. These analyses are a critical piece of the puzzle in providing investors with clarity about an entity's climate risks and opportunities, and the resilience of its business. Scenario analysis provides important context/underpinning to other information required under the proposed S2 standard. We understand that climate scenario analysis is becoming more feasible over time, with the wider availability of information and tools to conduct this exercise.

Recommendation 7: Require entities to undertake scenario analysis to assess their climate resilience.

Question 8—Risk management
Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

We support these proposals. We recommend more detailed guidance on the requirements for opportunities disclosure, given there is less detail in this requirement than the equivalent requirements for risks. For investors to assess the likely future value of the business, they need to understand how an entity is managing its opportunities as well as risks.

Recommendation 8: Provide more detailed guidance on how to prepare disclosures on management of opportunities, as well as risks.

Question 9—Cross-industry metric categories and greenhouse gas emissions
(a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?
(b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

It would be useful to investors to have data on the location of the main assets, facilities, operations and suppliers in areas at risk of extreme weather events. In countries such as Australia there have significant extreme weather events in recent years, including flood and wildfires heightening the physical risks of climate change on many businesses depending on their locations. There are locations which are increasingly at risk of ongoing damage and are at risk of being uninsurable or insurable at a prohibitive cost. This information is going to be increasing important to investors looking at not just long term but even short term horizons.

Recommendation 9: In the cross-industry metrics, require disclosure of the location of the main assets, facilities, operations and suppliers in areas at risk of extreme weather events.

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?
(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3—expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?
(e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for: (i) the consolidated entity; and (ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?
(f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

RIAA agrees with the proposal that scope 1, 2 and 3 emissions should be disclosed in accordance with the GHG Protocol. Given the GHG Protocol is a commonly-used standard for calculating emissions globally, it will ensure emissions data is clearer and more comparable for investors.

We also agree with the proposal that entities disclose emissions separately for the consolidated entity and for associates, joint ventures etc. This approach provides investors with detailed information that can be linked to the consolidated financial statement.

RIAA strongly supports the requirement to disclose material scope 3 absolute gross emissions. We note that this is in line with the October 2021 Annex to the TCFD Recommendations.

For investors, scope 3 emissions disclosures are critical in assessing the risks in a company's value chain, for example, the company's financed emissions. Scope 3 emissions can highlight where a company is vulnerable, particularly to physical risk and transition risk, and provide a clearer and more comprehensive picture of enterprise value. The requirement to disclose scope 3 emissions will align the market with the expectations of investors and their beneficiaries to be transparent about climate risks and opportunities, and, more broadly, the company's impact on people and planet.

For companies already disclosing scope 3 emissions, this requirement under [S2] will better equalise markets by bringing competitors up to leading practices. For companies not already disclosing scope 3 emissions, it will prompt better understanding of climate risks and opportunities, and their ability to manage a range of physical, transitional, regulatory, reputational and other risks.

While there are challenges for entities in reporting scope 3 emissions – including institutional investors and other financial institutions – a complete picture of an entity's emissions is important to investors as users of disclosures.

Recommendation 10: Require entities to disclose methodologies for calculating scope 3 emissions.

Question 10—Targets

(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

(b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

RIAA agrees with the proposed disclosures about targets, with the following recommended changes:

- Closer alignment of S2 with the proposed [S1] on the requirements for comparability and verifiability and requirement to include the methodologies for calculations, including assumptions and limitation.
- A requirement to disclose the scope of targets, including any activities, locations or emissions that are excluded.
- Guidance on whether and how carbon offsets can be used by entities when setting net zero targets. For example, the PRI's draft submission refers to EFRAG's Exposure Draft ESRS E1 on Climate change (paragraph 24©) excludes greenhouse gas (GHG) removals, carbon credits and avoided emissions for the purposes of emissions reduction targets. Carbon offsets should be used sparingly and be reduced over time.

We do not have any suggestions about the definition. It will be useful in ensuring the S2 requirements keep pace with future developments.

Question 11—Industry-based requirements

(a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

(c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?
(d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

RIAA supports the disclosure of financed and facilitated emissions. These emissions are a significant emissions source for financial institutions, including investors. Obtaining meaningful, reliable data on these emissions can be challenging for investors, and it is important in assessing investment risks and preparing their own disclosures.

(e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

RIAA does not offer comment on the details of this proposal.

(f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

RIAA agrees with this proposal, as it will provide investors with more comprehensive and comparable information relevant to their risk exposure. Both forms – absolute and intensity-based – are essential from an investor perspective to make both comparative analysis with peers, whilst also monitoring actual emissions trajectory over time.

(g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?
(h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

RIAA agrees with the proposals as referred to in 11 (g) and (h) above. Disclosure of methodology will assist investors to verify the financed emissions disclosed. The proposal to require entities to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard but not prescribe a specific methodology balances investors' need for consistent and comparable information with the need of some entities to adapt their reporting to comply with the S2 standard.

(i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

This information is useful to investors. Financed emissions relative to AUM provides some sense of the extent of an entity's risk exposure.

(j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

RIAA supports the inclusion of specified industry-based requirements in IFRS Draft S2 Appendix B, based on the SASB Standards. The SASB Standards are increasingly used in Australia and New Zealand. Adopting the industry-based requirements from the international standard in Australia will improve the comparability of disclosures. However, to ensure the industry-specific standards are comprehensive and practical, the ISSB will have further work to do in field testing the standards globally, including identifying and addressing any gaps or lack of clarity.

(k) *Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.*
(l) *In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?*

While RIAA is broadly supportive of S2 specifying industry-based requirements, we do not have comments on the substance of the proposed requirements.

Question 12—Costs, benefits and likely effects

(a) *Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?*
(b) *Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?*
(c) *Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?*

The ISSB Standards, as a comprehensive global baseline for sustainability-related disclosures, should significantly improve the consistency, reliability and comparability of sustainability related disclosures globally.

While a large number of companies are already reporting comprehensive climate-related information to markets, including in Australia and Aotearoa New Zealand, the global baseline will enable investors to better understand, compare and analyse disclosures. This will boost understanding of their investment risks, shape investment strategies and make more efficient decisions. It will also enable investors to meet their beneficiaries' increasing expectations of sustainable and net zero-aligned investment approaches and transparency.

While S2 builds on the TCFD, SASB Standards and other standards which already exist in financial markets across the globe, the streamlining and updating of these requirements will improve the consistency of disclosures. This will improve the efficiency and accuracy of investor analysis. It will, in turn, inform asset owners' and asset managers' own disclosures to markets and their beneficiaries, leading to improved transparency and efficiency of financial markets.

From the perspective of reporting entities, a comprehensive global baseline would, over time, streamline reporting costs, lower transaction costs, facilitate smoother cross-border capital flows, reduce market segmentation and increase market confidence, and has the potential to improve internal understanding of risks and opportunities. It could inform more sustainable business opportunities and ventures. 'Good' reporting against the ISSB Standards will signal to investors that an entity is committed to improving the sustainability of its business, and is capably managing its related risks and opportunities.

There is clear value in the ISSB's global baseline in a range of jurisdictions. For example, Aotearoa New Zealand is forging ahead on mandating climate-related disclosures, with its own standard now in development and due to commence in 2023. That process is happening in parallel with, and informed by, the ISSB Standards. Conversely, in Australia, reporting against the TCFD framework is currently recommended by regulators but not mandated. The prompt implementation of the ISSB's comprehensive global baseline domestically will enable New Zealand, Australia, and other countries at a similar stage, to swiftly move forward with its regulation of disclosures, to be on par with other nations.

Question 13—Verifiability and enforceability
Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

RIAA has not reviewed this aspect of the proposed standard.

Question 14—Effective date
(a) *Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?*

The two ISSB Standards should have the same effective date. This would better enable consistent and complete disclosures under the ISSB Standards from the beginning.

Broader sustainability risks and opportunities are not distinct from climate-related risks and opportunities. For example, it is important for investors to be able to assess whether a company's transition plan is enacting or supporting a 'just transition' for the people most affected.

An aligned commencement date would provide a more comprehensive view of the risks and opportunities of entities, and how these are being managed, from the early stages of reporting against the ISSB Standards. It will provide investors with more useful, nuanced, connected information on which to base decisions. It should also set in place from the beginning processes and methods that give an accurate and complete picture of the entity.

(b) *When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.*

The final Standard should come into effect as soon as possible after it is issued. As noted above, some jurisdictions such as Aotearoa New Zealand are moving to regulate climate-related disclosures now. In other countries, many companies are already reporting against the TCFD framework, including in Australia on the recommendation of domestic regulators. The ISSB Standards are building on current practices and momentum, and should be adopted as soon as possible.

(c) *Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?*

Many elements of the different pillars of S2 are closely related and required for an investor to form a complete assessment of the entity.

Full reporting against all aspects of the Standard from the beginning would prompt entities to pinpoint the strengths and gaps in their data and analysis. This would better place investors to assess how well an entity understands and is managing its risks and opportunities.

If any transitional arrangement are considered necessary on introduction of S2, these should only be applied at a national level, not implemented by the ISSB, and should be short-term and targeted only to a demonstrated need, all the while ensuring disclosures in the early stages remain useful to investors.

Question 15—Digital reporting
Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

RIAA does not offer comment on this.

Question 16—Global baseline
Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

RIAA is not aware of any aspects of the proposals that would limit the ISSB Standards' utility as a comprehensive global baseline. We note that S2 is strongly based on existing frameworks and standards which are widely used internationally.

Question 17—Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

We agree with the PRI's comments in its Exposure Draft submission on S2 regarding the need for the ISSB Standards to support the 'building blocks' approach. That approach will enable entities to go beyond the ISSB Standards' focus on 'enterprise value', meet the requirements of different jurisdictions' regulations, or the Global Reporting Initiative and prepare for the baseline to be lifted in the future.

In particular, the definition of materiality encompasses a broad view of the risks and opportunities that may affect enterprise value. This includes 'information about a company's impacts and dependencies on people, the planet and the economy when relevant to the assessment of the company's enterprise value'.

From an investor perspective, enterprise value encompasses the external impacts a company has on people, planet and the economy that will financially impact the company in the medium to long term. These would include external impacts that lead to consumer backlash, stranded assets, action by regulators, litigation, law reform or other potential consequences which will affect enterprise value. A long-term view of enterprise value is critical to investors as primary users of the disclosures under the proposed standards. This comprehensive interpretation of materiality on enterprise value – sometimes referred to as double materiality – is an important element of the standards that we recommend be further clarified by the ISSB.

We support the PRI's comments that consistency and alignment is needed in conceptual frameworks and common disclosures.

Recommendation 11: Clarify in the standard that the definition of 'materiality' focuses on long term view and a consideration of a company's impacts and dependencies on people, the planet and the economy as an important element of S2.

About RIAA and our members

RIAA champions responsible investing and a sustainable financial system in New Zealand and Australia and is dedicated to ensuring capital is aligned with achieving a healthy society, environment, and economy.

With approximately 500 members managing more than US$29 trillion in assets globally, RIAA is the largest and most active network of people and organisations engaged in responsible, ethical and impact investing across New Zealand and Australia. RIAA's membership includes superannuation funds, KiwiSaver default providers, fund managers, banks, consultants, researchers, brokers, property managers, community trusts, foundations, faith-based groups, financial advisers, financial advisory groups, and others involved in the finance industry, across the full value chain of institutional to retail investors.

Comments and Survey Responses

to

The International Sustainability Standards Board (ISSB)

on

Exposure Draft IFRS S2 Climate-related Disclosures (Climate Exposure Draft)

(Risk Management Aspects Only)

July 2022

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These comments relate only to the risk management aspects of the Climate Exposure Draft which flow through to the Exposure Draft on Sustainability-related Financial Information but do not refence that document.

Reference is made to the Basis for Conclusions on [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information specifically because of the additional content relating to risk management in that document which is not included in the Climate Exposure Draft.

Key Points

This document relates only to the risk management sections of the Exposure Draft IFRS S2 Climate-related Disclosures (Climate Exposure Draft).

Deficiencies of the Climate Exposure Draft on Risk Management

The Climate Exposure Draft:

- Ignores the existing Body of Knowledge of risk management
- Pushes entities to report risk data, but not to report how they are managing risk
- Provides inadequate risk information for users

Recommendations

It is recommended that:

- The positioning of risk management be changed
- Risk management terminology be refined
- Entity risk acceptance and treatment conclusions be required to be disclosed
- Scenario analysis be mandated, and disclosure requirements strengthened
- The qualitative approach be permitted but disclosures strengthened

Survey Responses

Responses to the questions regarding risk management are:

- Q1(b) - No
- Q1(c) - No
- Q2 - No
- Q3(a) - No
- Q4(b) - No
- Q6(a) - Yes, subject to changes
- Q6(b) - No
- Q6(c) - No
- Q7(a) - No
- Q7(b) - No
- Q7(c) - No
- Q7(d) - Yes, subject to changes
- Q7(e) - No
- Q8 - No

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1. Integrating Risk Management Standards

1.1 An Opening to Remedy TCFD Deficiencies

The Task Force on Climate-Related Financial Disclosures (TCFD) ignored internationally used risk management standards when developing their own approach to risk management in the TCFD Recommendations. The result is deficiencies in the methodology and the promotion of inconsistent approaches to climate-related risk from the way entities deal with other risks. To date, although the TCFD Recommendations have gone largely unchallenged, disclosures of the impacts of climate-related risk, using these recommendations, are unsurprisingly poor and of limited benefit to users.

With the role of the IFRS Foundation to develop, promote and facilitate adoption of a single set of standards, it well understands the benefits of a single set of standards being adopted in financial markets across multiple jurisdictions to enable the use of globally comparable information. It is inconsistent with the role and mission of the IFRS Foundation to exacerbate the non-alignment to standards adopted by TCFD in relation to risk management.

ISSB has an opening to pick-up the predominantly excellent parts of the TCFD Recommendations on risk management, but to also remedy the deficiencies by integrating internationally recognized risk management standards into the approach adopted in the Climate Exposure Draft.

1.2 What is a Risk?

The term "risk" has at least six different meanings when used as a noun or a verb. It is commonly used by individuals in their private lives as well as by business entities and non-business entities. Over recent decades, the risk management profession has attempted to standardize a definition of risk in the entity context to drive a risk management Body of Knowledge based on a common interpretation of its meaning.

There are two internationally accepted risk management standards, ISO 31000[1] and COSO[2], which are largely consistent in how they define risk for use by entities in risk management. Whilst there are some different emphases in these two standards, the meaning of risk as summarized below, is generally accepted within the risk management profession:

[1] ISO 31000:2018 Risk management—Principles and guidelines issued by ISO, the International Organization for Standardization. ISO is an independent, NGO made up of members from the national standards bodies of 164 countries that develop and publish International Standards.

[2] The Committee of Sponsoring Organizations of the Treadway Commission. COSO is sponsored jointly by five major professional associations headquartered in the United States with representatives from industry, public accounting, investment firms, and the New York Stock Exchange.

ISO 31000

Risk is the "effect of uncertainty on objectives" (of an organization)

COSO

Risk is the effect of such uncertainty on the formulation and execution of the business strategy and the achievement of business objectives

Figure 1: ISO 31000 and COSO Definition of "Risk"

These definitions are not just about terminology, they drive how risk is identified, analyzed, managed and reported within the entity context. To dig deeper into ISO 31000, the meaning of the terminology is:

- Effect - a deviation from the expected – positive and/or negative
- Uncertainty - deficiency of information related to understanding or knowledge of an event, its consequence, or likelihood
- Objectives - can have different aspects:
  - By type - financial, health and safety and environment
  - By level - strategic, organization-wide, project, product and process
- Event - can be one or more occurrences (or non-occurrences) and can have several causes
- Risk is often characterized by reference to potential events and consequences

These definitions result in the following concept of how risk is positioned within the context of an entity:

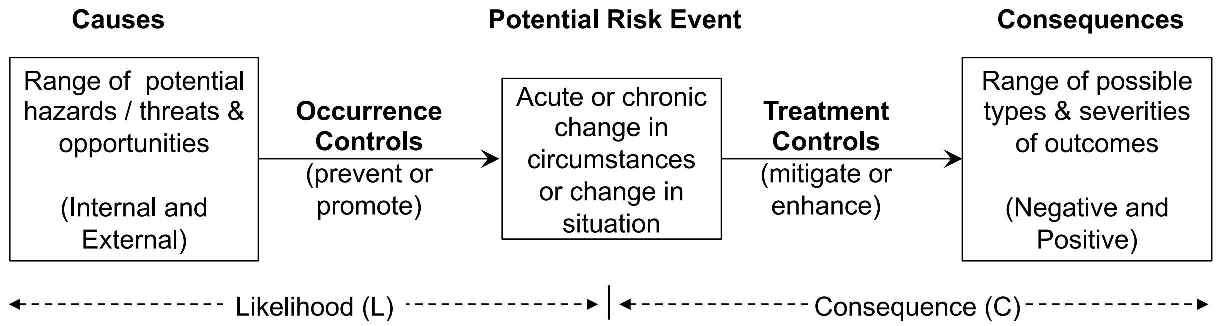

Figure 2: Generally Accepted Positioning of "Risk" for an Entity

To explain Figure 2:

- A range of hazards / threats and opportunities may cause a risk to occur
- A control framework tries to prevent hazards and promote opportunities
- A risk event may still occur
- A control framework tries to mitigate negative consequences and enhance positive consequences

- A range in the type and level or severity of consequences, from positive to negative, may occur
- The left-hand side of Figure 2 is about the "Likelihood" of the risk occurring, usually expressed as an estimate of the frequency of occurrences of the causes per annum
- The right-hand side of Figure 2 is about the "Consequence", and because there are a range of possible types and severities of consequences, it is often expressed qualitatively (Insignificant, Minor, Major etc.) but increasingly many entities are able to quantitatively express an estimate of the range of severity of consequences.

1.3 Deficiencies in Basic Risk Management Concepts

Below is a summary of how risk is defined and required to be disclosed in the TCFD Recommendations and the Climate Exposure Draft to enable a comparison with the modern positioning of risk described in Section 1.2 above.

TCFD

Climate-related risk refers to the potential negative impacts of climate change on an organization
Climate-related opportunity refers to the potential positive impacts related to climate change on an organization
Required Disclosure: "Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material." [Page 14, Figure 4]

Climate Exposure Draft

Climate-related risks refer to the potential negative effects of climate change on an entity
Climate-related opportunities refer to the potentially positive climate-change generated outcomes for an entity
Required Disclosure: "… disclose information about … the significant climate-related risks and opportunities that it reasonably expects could affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term" [Page 34, Paragraph 8(a)]

Figure 3: TCFD and Climate Exposure Draft Proposed Definition of "Risk" and Related Disclosures

Whilst the Climate Exposure Draft is a significant improvement on the TCFD Recommendations, the comparison between Figures 1 and 3 is stark. What is proposed is 20 years out of date and simply ignores current global risk management practice and the supporting Body of Knowledge. Below is an analysis of the differences.

Recommendations to remedy these deficiencies are included in Section 2 below.

Outmoded positioning of risk management

Both ISO 31000 and COSO position risk management within the entity context to both create and protect value. An underlying premise is that every entity exists to provide value for its stakeholders and faces uncertainty in the pursuit of that value. For many years, risk management has been positioned away from just avoiding negative impacts to balancing risk and reward to create, preserve and ultimately realize value. Value in this context can be financial and / or non-financial.

The TCFD Recommendations and the Climate Exposure Draft position risk management as avoiding negative impacts. Its like a hospital protecting "value" by avoiding killing patients rather than creating "value" by making them well. The definition of risk should be based around uncertainty and contemplate positive as well as negative effects.

Confusion between risk and potential negative effects

As illustrated in Figure 2, not all threats (or hazards) result in risks because they are prevented from occurring by the occurrence controls. Even when threats do trigger a risk, they may not generate significant negative effects because the frequency is reduced by occurrence (prevention) controls, or the severity of the effects is reduced by treatment (mitigation) controls.

As all "potential negative effects" are not risks, the Climate Exposure Draft definition of risk is confusing threats with risks. ISO 31000 defines hazard as "a source of potential harm". A risk event without consequences is often referred to as a "near miss".

Converse of opportunity is threat; not risk (its "SWOT" not "SWOR")

The converse of opportunity is not risk; it is threat (or hazard). This is why SWAT analysis (Strengths – Weaknesses – Opportunities – Threats) is not SWOR analysis (Strengths – Weaknesses – Opportunities – Risks).

Confusion between opportunity and potentially positive outcomes

As illustrated in Figure 2, an opportunity is "a source of potential benefit" not the actual potentially positive outcomes. Whilst the Climate Exposure Draft attempts to improve the definition of opportunities from the flawed definition in the TCFD Recommendations, the Climate Exposure Draft definition is flawed as it remains directed at the outcome rather than the source.

Exclusion of reference context

The Climate Exposure Draft excludes any reference context in the definition of risk and opportunities and includes them in the disclosure requirements. There are two aspects to this missing reference context that need to be included in the definitions:

1. Entity objectives - the risk definition references to "negative effects of climate change on an entity" when it should refer to the effects on the objectives of the entity. There are many effects on an entity that might not have any effect on the objectives, for example, a carbon tax may increase costs, but this may already be in the budgets and forecasts for an entity, so it does not impact its objectives.
2. Uncertainty – ISO 31000 refers to risk as being characterized as "potential events and consequences" i.e., "potential" relates to both the risk event and the consequences. The Climate Exposure Draft definition of risks and opportunities

simply refers to potential effects and ignores the uncertainty around the occurrence of the risk events

1.4 Gaps in Risk Analysis and Evaluation

Risk acceptance and treatment decisions

ISO 31000 and COSO describe a risk evaluation process to assist entities in decisions about risk acceptance and treatment which is a gap in the Climate Exposure Draft. ISO 31000 (in the supplementary guide) and COSO refer to risk appetite as “the amount and type of risk that an organization is willing to pursue or retain” to be used as the basis of comparison of the results of risk analysis. The objective is to determine whether a risk is accepted or whether risk treatment is needed to modify the risk. The result of this risk evaluation process is that risks are accepted, not accepted or tolerated to the point where the cost of further treatment outweighs the benefit of further treatment[3]. This risk evaluation process applies to both positive effects as well as negative effects.

Reference is made to risk appetite in paragraph BC 40 of the Basis for Conclusions on [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (Basis for Conclusions). However, in the Climate Exposure Draft there is no reference to risk appetite and no disclosure is required of the result of risk acceptance and treatment decisions. This gap appears to be left to the climate resilience concept in paragraph 15 of the Climate Exposure Draft.

Whilst the climate resilience concept contains useful disclosures, it excludes any reference to the disclosure of whether risks have been assessed as accepted and how decisions are made by the entity on further risk treatment. This gap enables reporting entities to outsource acceptance and treatment decisions to users, even though reporting entities are best placed to make this initial decision. Users can always take a different view to the reporting entity, but the reporting entity should disclose their acceptance and treatment conclusion and how they have made that decision.

Recommendations to remedy these deficiencies are included in Section 2 below.

Scenario analysis

As illustrated in Figure 2, almost every risk has a range of consequences from positive to negative with varying severity. A simple example is a workplace injury which can range from positive consequences (injury rates below target) through to minor first aid (band aids) and on to permanent disability or fatality. Entities undertaking risk analysis should already be using a form of scenario analysis to assess the likelihood of the various severities of consequences, this is often referred to as likelihood and consequence coupling or pairing.

In light of the above, the use of scenario analysis under climate resilience should not have an out for entities to use alternative techniques. However, as the reliability of the underlying information needed to analyse various scenarios may vary, the veracity of the analysis should be disclosed.

Recommendations to remedy these deficiencies are included in Section 2 below.

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[3] Tolerable risks are commonly related to health and safety where the concept is adopted of ALARP (As Low As Reasonably Practicable).

Quantitative v qualitative

The preference for quantitative disclosures in paragraph 14 of the Climate Exposure Draft with an out for qualitative disclosure for those who are unable to do quantitative disclosures is a sad reflection of where global risk management practice and capability is at. Unfortunately, many entities abuse the qualitative route for risk assessment both internally and for reporting externally. For sophisticated entities there is simply no excuse to continue to use this qualitative route.

In light of the above, paragraph 14(e) should be strengthened to discourage entities taking the easy way out of adopting quantitative analysis and require entities not applying quantitative analysis not only have to disclose why they are unable to do so, but also how they determine risk acceptance and treatment decisions using the qualitative route.

Recommendations to remedy these deficiencies are included in Section 2 below.

1.5 When is a Risk Significant?

The use of the term “significant” in the Climate Exposure Draft is important because it is the sole criteria for deciding which risks are disclosed, however, it is not defined in the Defined Terms in Appendix A. The definition in paragraph BC 40 of the Basis for Conclusions is:

“Significant risks are those that an entity prioritises for management responses. They include risks and events that in the short, medium or long term could disrupt the entity’s business model or its strategy for sustaining and developing the business model that could affect the resources or relationships on which the entity depends or that threaten the viability of, or creates opportunities for, the entity.”

The definition has two issues, it ignores upside and the concepts of “could disrupt”, “could affect” and “threaten viability” are vague and subjective.

The terms significant or material risk are not used in ISO 31000 and most risk standards and is not a mainstream term. There is good reason for this, significance (sometimes called materiality) within risk management is a complex concept because risk is about the effect of uncertainty which is usually wide ranging. The effect of a single risk can have a huge range of severity from positive to very small negative to catastrophic with varying likelihood and consequence couplings or pairings. Most significant or material risk definitions usually refer to risks threatening success, but this ignores possible positive consequences and the very low frequency of occurrence (probability) of possible catastrophic consequences which in some cases may not even be credible.

Recommendations to remedy these deficiencies are included in Section 2 below.

1.6 Poor Outcomes for Reporting Entities and Users

The TCFD’s 2021 status report highlighted the poor outcomes from the use of the TCFD Recommendations for entities and users. A glance at reports of most of the entities that have reported under the TCFD Recommendations shows long lists of threats described as risks, possible positive consequences described as opportunities and virtually nothing about the effects and decisions the entity has made about risk acceptance and treatment. There is lots of data, but little information for users.

By any measure the TCFD Recommendations on risk management have not been much use to users. Reporting entities have left decisions on risk acceptability to users when acceptance and treatment decisions should be made first at the entity level and then left to users to make their own assessment.

The ISSB has picked up the excellent aspects of the TCFD Recommendations but has unfortunately also picked up the risk-threat-opportunity confusion and the risk evaluation gaps that are driving poor outcomes for reporting entities and users.

Recommendations to remedy these deficiencies are included in Section 2 below.

2. Recommendations

2.1 Change the Positioning of Risk Management

Changing the positioning of risk management to align with current practice and standards will involve numerous but minor changes to wording throughout the Climate Exposure Draft. The changes involve:

- Explaining that risk involves deviation from the expected which can be positive and/or negative – this is best done in paragraph 1 (see suggestion below)
- Adjusting throughout the document the confusion between risks and threats as well as opportunities and positive outcomes of risks (see suggestions below)
- Refining key risk management terminology in Appendix A, Defined Terms (see Section 2.2 below)

Suggested changes to the key paragraphs are below using the Word markup format.

"Objective

1. The objective of [draft] IFRS S2 Climate-related Disclosures is to require an entity to disclose information about its exposure to significant climate-related risks, involving deviations which can be positive and/or negative, ~~and opportunities~~, enabling users of an entity's general purpose financial reporting:
   (a) to assess the effects of significant climate-related risks ~~and opportunities~~ on the entity's enterprise value;
   (b) to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its significant climate-related risks ~~and opportunities~~; and
   (c) to evaluate the entity's ability to adapt its planning, business model and operations to significant climate-related risks ~~and opportunities~~."

"Scope

3.This [draft] Standard applies to:

(a) climate-related ~~risks~~ threats the entity is exposed to, including but not restricted to:

(i) physical ~~risks~~ threats from climate change (physical ~~risks~~ threats); and

(ii) ~~risks~~ threats associated with the transition to a lower-carbon economy (transition ~~risks~~ threats); and

(b) climate-related opportunities available to the entity."

"Risk management

16. The objective of climate-related financial disclosures on risk management is to enable users of general-purpose financial reporting to understand the process, or processes, by which climate-related risks ~~and opportunities~~ are identified, assessed and managed.

17. To achieve this objective, an entity shall disclose:

(a) the process, or processes, it uses to identify climate-related:

(i) ~~risks~~ threats; and

(ii) opportunities;

(b) the process, or processes, it uses to ~~identify~~ assess climate-related ~~risks~~ threats for risk management purposes, including when applicable:

(i) how it assesses the likelihood and effects ~~associated with such~~ of climate-related risks (such as the qualitative factors, quantitative thresholds and other criteria used);

(ii) how it prioritises climate-related risks relative to other types of risks, including its use of risk-assessment tools (for example, science-based risk-assessment tools);

(iii) the input parameters it uses (for example, data sources, the scope of operations covered and the detail used in assumptions); and

(iv) whether it has changed the processes used compared to the prior reporting period;

(c) the process, or processes, it uses to identify, assess and ~~prioritise~~ promote climate-related opportunities;

(d) the process, or processes, it uses to monitor and manage the climate-related risks, including related policies; ~~:~~

~~(i) risks, including related policies; and~~

~~(ii) opportunities, including related policies;~~

(e) the extent to which and how the climate-related risk identification, assessment and management process, or processes, are integrated into the entity's overall risk management process. ~~; and~~

~~(f) the extent to which and how the climate-related opportunity identification, assessment and management process, or processes, are integrated into the entity's overall management process."~~

In addition, in the following paragraphs, suggest change "climate-related risks ~~and opportunities~~":

- Page 32 - 4, 5, 5(a)
- Page 33 - 5(b), 5(c), 5(d), 5(e), 5(f), 5(g), 6, 7
- Page 34 - 8, 8(a), 8(b), 8(c), 8(d), heading before 9, 9, 9(a), 10
- Page 35 - 12, 12(a), 12(b), 13, 13(a), 13(b), 13(a)(i)(1)
- Page 36 - 14
- Page 37 - 14(a), 14(b), 14(c), 14(d), 15
- Page 38 - 15(b)(i)(5)
- Page 39 - 15(b)(ii)(3)
- Page 40 – 18, 19
- Page 42 - 21(e)

- Page 43 - 23(b)
- Page 49 - B1, B3 (twice)
- Page 50 - B5, B7 (twice)
- Page 51 - heading before B13, B13 (twice)
- Page 53 - B16

In the following paragraphs suggest change “climate-related ~~risks~~ threats” or “transition ~~risks~~ threats” or “physical ~~risks~~ threats”:

- Page 34 - 8(e)
- Page 41 - 20(c)
- Page 42 - 21(b), 21(c)
- Page 53 - B15(b)

2.2 Refine Key Risk Management Terminology

The suggested changes to the defined terms in Appendix A are set out below using the Word markup format.

“Climate resilience

The capacity of an entity to adjust to uncertainty related to climate change. This involves the capacity to manage negative effects of climate-related ~~risks~~ threats and ~~benefits from~~ positive effects of climate-related opportunities, including the ability to respond and adapt to transition risks and physical risks.”

“Climate-related scenario analysis

Scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, climate-related scenario analysis allows an entity to explore and develop an understanding of how the physical risks and transition risks of climate change may affect its businesses, strategies and financial performance over time.”

Climate-related risks

Climate-related risks refer to the effects of climate change uncertainty on objectives of an entity. The effect, being a deviation from the expected, can be positive and/or negative. Uncertainty is deficiency of information related to understanding or knowledge of an event, its consequence, or likelihood. The causes of climate-related risks can be climate-related threats and/or climate-related opportunities.

“Climate-related ~~risks~~ threats and opportunities

Climate-related ~~risks~~ threats refer to the potential ~~negative effects~~ sources of harm of climate change on the objectives of an entity. Physical ~~risks~~ threats emanating from climate change can be event-driven (acute) such as increased severity of extreme weather events (for example, cyclones, droughts, floods and fires). They can also relate to longer-term shifts (chronic) in precipitation and temperature and increased variability in weather patterns (which could result in, for example, sea-level rise). Climate-related ~~risks~~ threats can also be associated with the transition to a lower-carbon global economy, the most common of which relate to policy and legal actions, changes in technology, market responses and reputational considerations.

Climate-related opportunities refer to the potentia~~lly positive~~ sources of benefit of climate-change ~~generated outcomes for~~ on the objectives of an entity. Global efforts to mitigate and adapt to climate change can produce climate-related opportunities for entities. For example, a power generating company could increase its revenue due to a growing demand for cooling (achieved by using electricity) in regions that experience more heatwaves. Climate-related opportunities will vary depending on the region, market and industry in which an entity operates.

Climate-related ~~risks~~ threats and opportunities include climate-related ~~risks~~ threats and climate-related opportunities as previously described."

"Physical ~~risks~~ threats and opportunities

~~Risks~~ Threats and opportunities resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. These ~~risks~~ threats and opportunities may carry financial implications for entities, such as direct damage to assets / more efficient utilization of assts, and indirect effects of supply-chain disruption / enhancement. Entities' financial performance may also be negatively or positively affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting entities' premises, operations, supply chain, transportation needs and employee safety."

"Transition ~~risks~~ threats and opportunities

Moving to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements relating to climate change. Depending on the nature, speed and focus of these changes, transition ~~risks~~ threats and opportunities may pose varying levels of financial and reputational ~~risk~~ consequences, both negative and positive, to entities."

2.3 Disclose Risk Acceptance and Treatment Decisions

The suggested changes to close the gaps in risk analysis and evaluation are set out below using the Word markup format. These changes are in addition to those set out in Section 2.2 above.

Climate Exposure Draft:

14(e) "if the entity is unable to disclose quantitative information for paragraph 14(a)–(d), an explanation of why that is the case and how they have made risk acceptance and treatment decisions using qualitative information."

15(a) "the results of the analysis of climate resilience, which shall enable users to understand the entity's conclusions on:"

17(b)(ii) "how it makes risk acceptance and treatment decisions and prioritises climate-related risks relative to other types of risks, including its use of risk-assessment tools (for example, science-based risk-assessment tools);"

Basis for Conclusions:

BC40 "The Exposure Draft focuses on information about 'significant' sustainability- related risks and opportunities. Entities are expected to identify, assess, manage and monitor significant risks ~~and opportunities~~ by applying their risk management processes, the details of which must be disclosed. The significance of the risks ~~and opportunities~~ is, therefore, entity-specific and is determined according to the entity's risk management processes and informed by the entity's strategy, objectives and risk appetite or risk criteria. Significant risks are those that an entity makes a risk treatment decision to prioritise~~s~~ for management responses. They include risks ~~and events~~ that in the short, medium or long term could disrupt or benefit the entity's business model or its strategy for sustaining and developing the business model that could affect the resources or relationships on which the entity depends or that threaten or enhance the viability of~~, or creates opportunities for,~~ the entity."

2.4 Remove Option of Not Using Scenario Analysis

The suggested changes to remove the option to avoid scenario analysis and disclose the veracity of the analysis are set out below using the Word markup format.

15 "The entity shall use climate-related scenario analysis to assess its climate resilience and the veracity of the analysis ~~unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience. When providing quantitative information, an entity can disclose single amounts or a range~~."

15(ii) Delete the whole sub-section

2.5 Strengthen Preference for the Quantitative Approach

The suggested changes to strengthen the preference for the quantitative approach are set out below using the Word markup format.

14 "An entity shall disclose quantitative information ~~unless~~ except in the rare instances where it is unable to do so."

14(e) "in the rare cases where an ~~if the~~ entity is unable to disclose quantitative information for paragraph 14(a)–(d), an explanation of why that is the case."

The suggested changes in Section 2.3 above to paragraph 17(b)(ii) also reinforce the option of qualitative disclosures being the exception rather than the rule.

3. Survey Responses on Risk Management

3.1 Question 1(b)

Question

"Does the objective focus on the information that would enable users of general-purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?"

Response

No. The required information has too many deficiencies as described in Section 1 above.

3.2 Question 1(c)

Question

"Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?"

Response

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

3.3 Question 2

Question

"Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?"

Response

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

3.4 Question 3(a)

Question

"Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?"

Response

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

3.5 Question 4(b)

Question

"Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?"

Response

No. The required information has too many deficiencies as described in Section 1 above. The opt out for the qualitative approach is considered in Section 1.4 above and recommendations are in Section 2.5 above.

3.6 Question 6(a)

Question

"Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?"

Response

Yes, subject to remedying these conceptual and terminology deficiencies, described in Section 1 above and adopting the recommendations are in Section 2 above.

3.7 Question 6(b)

Question

"Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?"

Response

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

3.8 Question 6(c)

Question

"Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?"

Response

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

3.9 Question 7(a)

<u>Question</u>

"Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?"

<u>Response</u>

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

3.10 Question 7(b)

<u>Question</u>

"The Exposure Draft proposes that if an entity is unable to perform climate- related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?

(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?"

<u>Response</u>

(i) No, refer Section 1.4 above

(ii) N/A. The option should be removed

(iii) Yes. The implementation dates should not be impacted as entities claiming to be managing risks should already be doing scenario analysis

3.11 Question 7(c)

<u>Question</u>

"Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?"

<u>Response</u>

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

3.12 Question 7(d)

Question

"Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?"

Response

Yes, but they should be strengthened as described in Section 2.5 above.

3.13 Question 7(e)

Question

"Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?"

Response

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

3.14 Question 8

Question

"Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?"

Response

No. The required information has too many deficiencies as described in Section 1 above. Recommendations to remedy these deficiencies are included in Section 2 above.

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Organisation

AY-3. Please provide the name of the organisation you are responding on behalf of:

Tech for Good Group Pty Ltd

Question 1—Overall approach

The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.

Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.

01-AP. (a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

- Broadly Disagree

01-AR. Please explain your answer:

Those required to report have to fit information which is generally non-financial into financial terms. An entity is required to disclose information about governance, strategy, risk management and metrics and targets, this is stated clearly. What is not clear is how an entity takes this information and applies it to become risks and opportunities and furthermore quantifies it. Without clarification, entities will apply different logic which may be more harmful than useful for the primary users of the information.

01-BP. (b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

- Broadly Disagree

01-BR. Please explain your answer:

As per above, different logic applied by the creators of the fi1ancial information will result in a lack of consistency which may be harmful for the primary users of the information.

01-CP. (c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 *Climate-related Disclosures*? Why or why not? If not, what aspects of the proposals are unclear?

- Broadly Agree

01-CR. Please explain your answer:

N/A

01-DP. (d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

- Broadly Agree

01-DR. Please explain your answer:

It would not be difficult for auditors or regulators to determine that an entity has complied with the proposals as there is no requirement for an auditor to comment on the assumptions used in turning non-financial information on risks and opportunities into financial information that's useful to the primary users. The task of an auditor would become a box-ticking exercise.

Question 2—Objective (paragraphs 1–7)

The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.

Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital. Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.

Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements. Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

02-AP. (a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

- Broadly Agree

02-AR. Please explain your answer:

The objective is clear. The method by which the preparer of the information calculates the financial impact of something as subjective as an entity's reputation is not.

02-BP. (b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

- Broadly Disagree

02-BR. Please explain your answer:

Those responsible for preparing financial statements have to convert the content of governance, strategy, risk management and metrics and targets into a statement of risks and opportunities and from there into financials.
We believe that statements regarding governance, strategy, risk management and metrics and targets and in particular progress against targets are useful in their own right and further analysis of risks and opportunities are useful in their own right without the need to convert these into financial information.

Question 3—Scope (paragraphs 8–10)

Proposals in the Exposure Draft would apply to the preparation and disclosure of sustainability-related financial information in accordance with IFRS Sustainability Disclosure Standards. Sustainability-related risks and opportunities that cannot reasonably be expected to affect users' assessments of the entity's enterprise value are outside the scope of sustainability-related financial disclosures.

The Exposure Draft proposals were developed to be applied by entities preparing their general purpose financial statements with any jurisdiction's GAAP (so with IFRS Accounting Standards or other GAAP).

03-AP. Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

- Broadly Agree

03-AR. Please explain your answer:

N/A

Question 4—Core content (paragraphs 11–35)
The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.

This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well established work of the TCFD.

Governance
The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be:

> to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.

Strategy
The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be:

> to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.

Risk management
The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be:

> to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.

Metrics and targets
The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be:

> to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.

04-AP. (a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

- Broadly Agree

04-AR. Please explain your answer:
We believe that the key objective is the definition of targets. We believe that performance of the entity against these targets such be included in this objective.

04-BP. (b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

- Broadly Agree

04-BR. Please explain your answer:
We believe that the key objective is the definition of targets. We believe that performance of the entity against these targets such be included in this objective.

Question 5—Reporting entity (paragraphs 37–41)
The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.

The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:

- its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;
- the assets it controls (such as a production facility that relies on scarce water resources);
- investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and
- sources of finance.

The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.

05-AP. (a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?
- Broadly Disagree

05-AR. Please explain your answer:
Different companies within a group could have broadly different attitudes towards governance, strategy, risk management and metrics and targets and hence consolidation of these up into the head reporting entity may not be appropriate.

05-BP. (b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?
- Broadly Disagree

05-BR. Please explain your answer:
We do not believe that the requirement to disclose can be consistently applied.

05-CP. (c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?
- Broadly Agree

05-CR. Please explain your answer:
N/A

Question 6—Connected information (paragraphs 42–44)
The Exposure Draft proposes that an entity be required to provide users of general purpose financial reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) between the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

06-AP. (a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?
- Broadly Agree

06-AR. Please explain your answer:
N/A

06-BP. (b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

- Broadly Disagree

06-BR. Please explain your answer:

Attitudes of reporting entities towards sustainability-related risks and opportunities are changing rapidly. To express these changes only when an entity is required to produce financial statements results in the information being out-of-date and therefore less useful to primary users of the information. Additionally, the primary users will be forced to go to the financial statements to find this information which is enormously inefficient.

Question 7—Fair presentation (paragraphs 45–55)

The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.

To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.

To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.

07-AP. (a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

- Broadly Agree

07-AR. Please explain your answer:

N/A

07-BP. (b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

- Broadly Disagree

07-BR. Please explain your answer:

As stated, risks and opportunities will be greatly affected by 'activities, interactions and relationships and use of resources' along the value chain of an entity. An entity should consider these sources and we believe that there is insufficient guidance as to how an entity assesses these things.

Question 8—Materiality (paragraphs 56–62)
The Exposure Draft defines material information in alignment with the definition in IASB's *Conceptual Framework for General Purpose Financial Reporting* and IAS 1. Information 'is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity'.

However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.

Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users' information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.

The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.

08-AP. (a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

- Broadly Agree

08-AR. Please explain your answer:
There is no reason to believe that materiality in the context of sustainability-related information should be any different from other financial information disclosed in financial statements.

08-BP. (b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

- Broadly Agree

08-BR. Please explain your answer:
N/A

08-CP. (c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

- Broadly Disagree

08-CR. Please explain your answer:
We believe that additional Illustrative Guidance would be helpful.

08-DP. (d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

- Broadly Agree

08-DR. Please explain your answer:
All entities should follow local laws or regulations

Question 9—Frequency of reporting (paragraphs 66–71)
The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.

09-AP. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

- Broadly Disagree

09-AR. Please explain your answer:
Attitudes towards sustainability-related disclosures are changing rapidly. Financial statements are produced infrequently and are generally out-of-date by the time that they are published. Users of this information would find it more useful if updated more frequently and in a more timely manner. The FACD suggested this.

Question 10—Location of information (paragraphs 72–78)

The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.

However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity's ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.

The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.

Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.

The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.

010-AP. (a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

- Broadly Agree

010-AR. Please explain your answer:
The more flexible the reporting obligations the better.

010-BP. (b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

- No

010-BR. Please explain your answer:
N/A

010-CP. (c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is crossreferenced? Why or why not?

- Broadly Agree

010-CR. Please explain your answer:
N/A

010-DP. (d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

- Broadly Disagree

010-DR. Please explain your answer:
We believe that this could be made clearer.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)
The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8. However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

011-AP. (a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

- Broadly Agree

011-AR. Please explain your answer:
N/A

011-BP. (b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

- Broadly Agree

011-BR. Please explain your answer:
N/A

011-CP. (c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

- Broadly Agree

011-CR. Please explain your answer:
N/A

Question 12—Statement of compliance (paragraphs 91–92)
The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

012-AP. Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

- Broadly Agree

012-AR. Please explain your answer:
N/A

Question 13—Effective date (Appendix B)
The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.

013-AR. (a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.
This timeframe should be as short as possible, no more than 6 months.

013-AP. (b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

- Broadly Agree

013-AR. Please explain your answer:
N/A

Question 14—Global baseline
IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

014-AP. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

- Other

014-AR. Please explain your answer:
There are no particular aspects

Question 15—Digital reporting
The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption as compared to paper-based consumption is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S2 *Climate-related Disclosures* Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

015-AR. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?
We believe that digital consumption is essential. If digital consumption is enabled, entities are not restricted from disclosing information by the timing of financial statements and the primary users of the information will benefit accordingly.

Question 16—Costs, benefits and likely effects
The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

016-AR. (a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?
We believe that the costs for the entities that prepare the information and the users of the information will be considerably lower if digital consumption is enabled.

GR16B. (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?
We believe that the costs for the entities that prepare the information and the users of the information will be considerably lower if digital consumption is enabled.

Question 17—Other comments

017-AR. Do you have any other comments on the proposals set out in the Exposure Draft?
No further comments

About you

AY-1. Please provide your full name and email address:

First name:	Tim
Last name:	Kelly
Email:	

AY-2. Are you responding as an individual, or on behalf of an organisation?

- Individual

Question 1—Objective of the Exposure

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:

- to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
- to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
- to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

Paragraphs BC21–BC22 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

01-AP. (a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

- Broadly Agree

01-AR. Please explain your answer:

There is a need for transparency by corporations and organisations on climate risks, exposure and their adaptation and mitigation planning activities

01-BP. (b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

- Broadly Disagree

01-BR. Please explain your answer:

There are not sufficient market based GHG and renewab;les accounting frameworks for organisations and customers to make credible assessments of their GHG exposure, or to report their scope 1, 2 and 3 emissions in a consistent way that deals with market based accounting.
In Australia there is a legal NGER Framework that uses location based accounting for approximately 415 companies. This does not apply accountring methods across the economy. The Federal Departments and Regulators DCCEEW and the Clean Energy Regulator use competing and contradictory location based and market based methods in guiding the rest of the market which result in total double counting of accredited renewable electricity and ACCU carbon offsets. Australia's carbon markets are an absolute farce and none of the repoorted emissions Scope 1, 2 & 3 can be trusted from any organisation because of the ability to choose between different methods.

01-CP. (c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

- Broadly Disagree

01-CR. Please explain your answer:

If there is no consistent market based GHG and renewables accounting framework, none of the disclosures can be credible

Question 2—Governance

Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. To achieve this objective, the Exposure Draft proposes that an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management’s role regarding climate-related risks and opportunities.

The Exposure Draft’s proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body’s responsibilities for climate-related risks and opportunities are reflected in the entity’s terms of reference, board mandates and other related policies. The related TCFD’s recommendations are to: describe the board’s oversight of climate-related risks and opportunities and management’s role in assessing and managing climate-related risks and opportunities.

Paragraphs BC57–BC63 of the Basis for Conclusions describe the reasoning behind the Exposure Draft’s proposals.

02-AP. Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

- Broadly Disagree

02-AR. Please explain your answer:

As stated, In Australia there is no consistent GHG and renewables accounting framework that applies acrposs the economy, for mandatory reporting and for voluntary markets and claims.

Question 3—Identification of climate-related risks and opportunities
Paragraph 9 of the Exposure Draft proposes that an entity be required to identify and disclose a description of significant climate-related risks and opportunities and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. In identifying the significant climate-related risks and opportunities described in paragraph 9(a), an entity would be required to refer to the disclosure topics defined in the industry disclosure requirements (Appendix B).

Paragraphs BC64–BC65 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

03-AP. (a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

- Broadly Disagree

03-AR. Please explain your answer:

Massive renewable projects are being created with complete avoidance of GHG and renewables accounting.
There is a loopho;e under the NGER Act that allows corporations to build consume, and claim behind the meter renewables whilst selling the Large Scale Certificates that are used by third parties to meet mandatory operations or used by GreenPower customers to claim renewables use. That is one karge and growing area of double counting.
Another area is that all grid based renewables are allocated to the grid via Government NGER Determination and NGA Factors, whilst voluntary accredited renewable markets using Large Scale Certificates also claim these same renewables. All voluntary renewables via the grid are double counted.
All ACCU Carbon offsets are also double counted as basic debit and credit rules don't apply to carbon markets in Australia.

03-BP. (b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

- Broadly Disagree

03-BR. Please explain your answer:

First, there needs to be reform of GHG and renewabes accounting frameworks across Australia and checks that all participating nations have also established market based GHG accounting frameworks in law.

For Australia:

Market based accounting should be integrated into Australia's Climate Change Accounting Law, which is the National Greenhouse and Energy Reporting (NGER) Framework via the NGER Determination.

• No change is required for the NGER scope 1 emissions methods which by definition, are location based.

• For consistency, the National Greenhouse Accounts (NGA) Factors need to be brought into the NGER Framework to legally apply to all participants in Australia's low carbon markets. This is not about forcing all participants to report under the NGER reporting, it simply means that when sellers and buyers are making reputational, product and service based claims, they all follow the same set of market rules under a legislated framework.

• A change to the NGER Determination is needed to transition to market based accounting for scope 2 emissions will require alignment of the Determination with the GHG Protocol Scope 2 Guidance. A single method to claim renewable electricity use and zero scope 2 emissions is required. The revised NGER Determination should formerly establish a National Residual Grid Mix Factor. Those not making emissions specific claims for renewable electricity should be reporting their electricity emissions using the Residual Grid Mix Factor as the primary method, including to make any and all reputational, product and service based claims. The Dual Reporting with a location based factor should therefore become a reference point only and must not be a choice, as this would not prevent double counting.

• To align the Residual Grid Mix Factor (RMF) with a location based factor, the State Average Factors should no longer be used. Instead, dual reporting should use the National Location Based Factor to compare performance against the primary market based method.

• If LGCs are to be treated as incorporating renewable use and zero scope 2 emission attributes then these attributes need to be legally assigned with the Large Scale Certificates.

• All eight quality criteria of the GHG Protocol Scope 2 Guidance should be achieved.

• A change to the NGER Determination is needed to introduce market based accounting for carbon offsets as negative scope 3 emissions. This is essential to stop double counting across producers, consumers and sectors. Where a carbon offset such as Australian Carbon Credit Units are sold or allocated across different entities or locations, then basic debit and credit rules need to apply such that a scope 3 emission are added to a sellers account in order for scope three deductions to be claimed by a buyer/end user. This basic concept is the foundation of financial markets and must also apply to carbon markets in order for integrity, certainty and sustainability to be established.

The Safeguard Mechanism applying to facilities in Australia to prevent excess emissions needs to use basic debit and credit rules so that carbon offsets purchased reduce aggregated emissions through the -ve scope 3 ACCUs purchased When Safeguard entities sell ACCUs they need to be adding a scope 3 emission. When land or agricultural or non NGER companies create and sell ACCU carbon offsets they also need to be required to add a scope 3 emission to their accounts and claims.

• NGER reporting, Climate Active, GreenPower, the Hydrogen Guarantee of Origin Scheme and the CERT should all be based around a common single National Greenhouse and Energy Accounting framework that is established under the NGER Determination.

• Given the scale and expansion of low carbon markets together with the rapid growth of emissions and renewable electricity related claims:

o The Clean Energy Regulator needs to address the fundamental problem of low carbon markets not having a legislated carbon and renewables accounting framework.

o The Department of Industry, Science Resources and Energy needs to start addressing carbon accounting rules seriously to establish long term and sustainable carbon markets and claims integrity to legally underpin such concepts as renewable hydrogen, green steel and exporting renewable electricity to Asia, as well as underpinning Australia's domestic low carbon markets and claims.

o The Australian Securities and Investment Commission (ASIC) should be called upon to assure that NGER reporting and claims, GreenPower, Climate Active, the CERT, The Hydrogen Guarantee of Origin Scheme, NABERS are all underpinned by an emissions and renewables accounting framework that is robust and applies consistently across the economy for Corporations to be protected when making investment decisions.

o The ACCC should be called upon to assure that all the schemes have sufficient legal foundation, clarity and fairness to enable enforcement actions to be applied where required to protect consumers

o The Productivity Commission should be asked to address:

 The economic impacts of the continuation of the RET from now until 2030 noting that the target has already been achieved and continuation creates unwarranted scarcity for renewables and artificial upward pressure on prices in voluntary renewable electricity markets that are already primed to take over from the mandatory mechanism

 The economic impacts of not allowing pre 1997 renewable electricity a place in voluntary markets

 The economic impact of not having a single national accounting and allocation framework for greenhouse gas emissions, renewables and offsets to legally apply across the market to provide business and customer certainty and assurance.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain
Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically-specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

04-AP. (a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

- Broadly Agree

04-AR. Please explain your answer:

I agree with market based supply chain accounting at a customer, business, sector, national and international scale.
To achieve this requires:
1) market based accounting for electricity WITHIN an established electricity grid.
2) market base accounting of scope 3 emissions and carbon offsets as negative scope 3 emissions. These can be traded more broadly but only where debit and credit rules apply.
Also, Australia's trick of only requiring corporations to report Scope 1 & 2 location based emissions whilst using slight of hand approaches to allow opt in non legal market based reporting and scope 3 carbon offsets is fundamentally unethical. Carbon offsets need to be properly defined as -ve Scope 3 emissions in law, and there is no justification for big corporates to not acknowledge significant upstream and downstream scope 3 emissions.

04-BP. (b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

- Broadly Agree

04-BR. Please explain your answer:

There is no time for vague unquantified greenwash and free riding.

Question 5—Transition plans and carbon offsets

Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

Paragraph 13 of the Exposure Draft proposes a range of disclosures about an entity's transition plans. The Exposure Draft proposes requiring disclosure of information to enable users of general purpose financial reporting to understand the effects of climate-related risks and opportunities on an entity's strategy and decision-making, including its transition plans. This includes information about how it plans to achieve any climate-related targets that it has set (this includes information about the use of carbon offsets); its plans and critical assumptions for legacy assets; and quantitative and qualitative information about the progress of plans previously disclosed by the entity.

An entity's reliance on carbon offsets, how the offsets it uses are generated, and the credibility and integrity of the scheme from which the entity obtains the offsets have implications for the entity's enterprise value over the short, medium and long term. The Exposure Draft therefore includes disclosure requirements about the use of carbon offsets in achieving an entity's emissions targets. This proposal reflects the need for users of general purpose financial reporting to understand an entity's plan for reducing emissions, the role played by carbon offsets and the quality of those offsets.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors necessary for users of general purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.

Paragraphs BC71–BC85 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

05-AP. (a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

- Broadly Disagree

05-AR. Please explain your answer:

In Australia , we are not at a point where carbon offsets have any credibility.
Much of the attention is directed to methods and additionality which have been identifdfied as major problems.
However, just as significant is that there is no legislated accounting framework to support carbon offsets. There are no debit and credit rules and ACCU carbon offsets in Australia have no legal attributes.
ACCU Carbon Offsets are not actually carbon offsets
Recently, we brought you the story of how the Department of Industry, Science Energy and Resources (DISER) (Restructured on 1 July 2022 as the Department of Climate Change, Energy, Environment and Water (DCCEW), had double counted the renewables abatement from Australia's household and small scale solar systems to the grid, enabling most of this benefit to be claimed by big NGER reporting corporations as lower emissions in their Scope 2 reporting.
This week we continue in a theme of dodgy and contradictory reporting frameworks in Australia around carbon offsets. References to DCCEW and DISER should be regarded as being the same Department.
Australia's carbon offsets have received lots of negative publicity in recent months with the former Chair of the Emissions Reduction Assurance Committee Andrew Macintosh blowing the whistle on methods that are counting carbon abatement that hasn't actually been created. Readers can see more about Dr Macintoshes claims here: Australia's carbon market a "fraud on the environment".
Largely in response to these concerns, the new Federal labor Government has established an Independent Review of Australian Carbon Credit Units (ACCUs) which will not only examine the methods to create Australian Carbon Credit Units (ACCUs) but also look at legislative requirements to ensure good governance and confidence in scheme integrity Any other matters relevant to the integrity of ACCUs and requirements for the use of ACCUs under the voluntary Climate Active scheme.
There are two key areas where the Government can completely fail with regard to the integrity of ACCUs and carbon markets more generally. One relates to bad methods and the second area is bad or non-existent market based accounting frameworks. This article deals with the accounting of ACCUs and the abatement that they are used to convey.

The planned Review does not go far enough and should have covered market based accounting reform for both carbon offsets and renewable electricity (stay tuned for the next in this series of carbon accounting for 'Almost all voluntary renewables double counted'). This article however will focus on ACCUs.
To understand the double counting issues that surround ACCUs, there is first a need for a basic understand of how direct and indirect greenhouse gas emissions are accounted for in scopes. The following diagram provides a typical overview that is used inby the GHG Protocol and has been used by the Federal Government in the past:
Scope 1 emissions are the direct release of GHGs from a given facility or area activities such as from fuel burning, leakage of methane or refrigerant gases.
Scope 2 emissions are indirect emissions related to energy consumption that has been transported to a site where an emissions was caused at another site. The most common form of Scope 2 emissions in Australia are from electricity consumption, where electricity was created from fuel burning at another site.
Scope 3 emissions are all other indirect emissions typically associated with upstream purchasing downstream use of a product that causes emissions after sale.
Emissions can also be positive or negative. Negative emissions to take carbon dioxide out of the atmosphere can occur on a site where a forest is re-established to sequester carbon from the atmosphere, or through carbon capture and geological storage. Where this occurs, it can be claimed as a negative scope 1 emission at that facility or site (and only at that site)
What are ACCUs
By considsering the diagram above,bBy definition , ACCUs are not negative Scope 1 emissions as carbon offsets are are related to off site activities.
By definition, ACCUs are not negative Scope 2 emissions as they are not a form of energy.
By definition, ACCUs are negative scope 3 emissions as they are associated with a claim relating to a purchased activity that has occurred offsite.
ACCUs are used in Australia to offset emissions and are created in relation to an emissions reduction activity that has occurred elsewhere in the market. The offset may be traded for a compliance requirement of a facility, or for voluntary markets, or to sell to the Government that uses taxpayer money to pay for emissions reduction activities.
How are ACCUs accounted for in Australia
The first issue is that ACCUs as Australia's carbon offsets do not actually incorporate any carbon offset attribute in law. This is the cause of a massive double counting and integrity problem.
Part 2 of the Carbon Credits (Carbon Farming Initiative) Act 2011 describes how ACCUs are created and issued in relation to eligible offset projects but there is no adequate definition of what ACCUs are, or any attributes that they could potentially contain or how they should be used in relation to claims. There is a No double counting test under the Certificate of Entitlement Provisions in Division 3, but this test only deals with potential double counting of certificates, not double counting of abatement.
Accounting for ACCUs under the NGER Act and NGER Determination
The NGER Determination used by approximately 415 of Australia's largest GHG emitters and electricity consumers, only requires reporting of Scope 1 and Scope 2 emissions. By definition, Scope 1 emissions are reported by the location of the facility where the emission takes place, and by choice, the Australian Government has used a state location based grid electricity emissions factor to apply to scope 2 emissions. For NGER reporting organisations, there is no requirement for scope 3 reporting and no market based accounting (such as for buying accredited renewable electricity or carbon offsets is provided for in NGER reporting) In fact market based concepts cannot work under NGER reporting without double counting.
Accounting for ACCUs under the National Greenhouse and Energy Reporting (Safeguard Mechanism) Rule 2015
The NGER Safeguard Rule is actually entirely different legislation with a different and contradictory accounting approach to the NGER Determination. It is actually bazaar that it has the NGER terminology in its title as the NGER Framework was intended to be a single reporting framework yet here is a different accounting framework sharing the same name.
The Safeguard Mechanism rule allows ACCUs to be used by corporations to prevent what the Rule calls an 'excess emissions situation' where a facility may emit more emissions than it is entitled to discharge. This means that ACCUs are used to reduce the facility Scope 1 emissions without calling it that. The Clean Energy Regulator has confirmed that "Surrendering ACCUs does not alter a facility's total scope 1 emissions". They do but they don't.
There are some important issues to note in relation to how the Rule is treating ACCUs.
- They are enabling an indirect emission offset certificate (Scope 3) to directly reduce direct emissions (scope 1) at a facility under the name of reducing an 'excess emissions situation'.
- The ACCUs do not legally contain any negative emission to use for this purpose and there has been no adjustment to the emissions of the sellers account. Where the abatement activity has occurred in a different sector (such as a land use sector), there has also been no adjustment for the sector accounting.
- Where an NGER Reporting Corporation or Safeguard facility creates and sells ACCUs, the CER has confirmed that "Similarly, corporate NGER totals are not adjusted with changes in ACCUs sold as they reflect the actual emissions reported under NGER, not the facility's safeguard position".

The Department in its response to the 2022 NGER Determination consultation has stated that:
The Department does not intend to explore options for market-based estimation of scope 1 emissions in the NGER Scheme at this time. The Scheme's approach to scope 1 emissions estimation is designed to support Australia's international emissions reporting and target tracking obligations. As such, it is consistent with the rules and guidance adopted under the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, including Intergovernmental Panel on Climate Change (IPCC) guidelines.

By definition, Scope 1 emissions are location based, even where market based accounting has been adopted for scope 2 and scope 3 emissions accounting. The statement which refers to 'at this time' suggests that the idea has not been ruled out which demonstrates a comprehension failure of GHG accounting. Despite this, the Department and government have in fact established the Safeguard Rule to use offsets to reduce combined scope 1&2 location based emissions with market based ACCUs. Under the Corporate Emissions Reduction Transparency reporting scheme the department has gone even further to allow ffsets to directly reduce Scope 1 emissions for a "net scope 1 emissions" claim.

Accounting for ACCUs by non NGER market participants

Where a business creates creates and sells ACCUs (such as from not clearing land that they have a legal authorisation to clear, or by planting trees or by site improvements to increase carbon sequestration from vegetation), the CER has confirmed that "Non-NGER reporters are not obligated to add abated emissions from delivered units onto net emissions". This means that a carbon farmer can claim the abatement on property, whilst selling ACCUs to third parties.

Accounting for ACCUs by end users in voluntary markets

There is no legislation that covers end user claims or economy wide scope 1, 2 and 3 reporting (NGER only applies to ~415 Corporations and only for Scopes 1&2). This means that for all voluntary market participants there are no rules, just perceptions and selective use of bits and pieces from the NGER framework whilst a whole series of different market based accounting concepts and used and misused.

- Public end use customers

Public end use customers (including myself) may typically purchase carbon offsets as part of a product which could be a carbon offset flight, carbon offset electricity, carbon offset fossil gas, or just doing business with an organisation that claims to be carbon neutral. As a public end user, there shouldn't be any need to understand emission scopes or double counting, there should just be robust frameworks established in legislation to prevent double counting and ensure that Australian Consumer Law is complied with.

Sadly however, because ACCUs can be claimed by the creators of the ACCUs, or businesses that have sold ACCUs make no adjustment, and the ACCUs that consumers pay for, do not include the emission reduction attribute in law, the entire framework lacks integrity and is riddled with double counting.

- Business claims - Climate Active Carbon Neutral Program

Climate Active is a Federal Government initiative and standard to guide businesses as they account for and reduce carbon emissions. It is designed for community take action by making it easier to identify and choose brands (paraphrased).

Climate Active uses market based concepts for accredited renewable electricity and carbon offsets (including ACCUs) to either sell products and services or promote branding of organisations as clean and green.

However, Climate Active also accepts location based emission claims to be used in parts of its standards at the same time, and this means that the abatement associated with renewables and ACCUs can be double counted. In addition, the location based accounting of NGER reporting corporations is not altered by Climate Active.

Climate Active provides a level of assurance and legitimacy that is actually not possible under law because Australia has not yet adopted market based accounting for renewable electricity or carbon offsets.

Corporate Emissions Reduction Transparency (CERT) reporting program

The CERT was created by the Federal Government in 2021 to make reputational claims about their greenhouse reductions using market based accounting in addition to their NGER Reporting which precludes market based accounting. The CERT is being trialled in 2022, but has not addressed the systemic double counting issues that it is perpetuating. The CERT allows Corporations to choose between market based accounting or location based accounting as it best suits the Corporation.

Scope 1 emissions can be directly offset using ACCUs (-ve scope 3 emissions), whilst there is still no requirement for corporations to report on their other upstream or downstream emissions. The big emitters and electricity consumers get to claim emission reductions with no accountability for their scope 3 emissions. This arguably amounts to a rort and the entire CERT scheme as presented to date is false in law and is a contradiction.

The Clean Energy Regulator has defined ACCUs under the CERT as "A unit issued pursuant to the Carbon Credits (Carbon Farming Initiative) Act 2011 and is equal to one (1) tonne of carbon dioxide equivalent" This definition completely misrepresents the Carbon Farming Act as it does not say that ACCUs are equal a tonne of carbon dioxide equivalent, it only defines how an ACCU is created. It is argued that the Clean Energy Regulator is misrepresenting legislation.

When developing the scheme, the Regulator had stated that the CERT "will be underpinned by the National Greenhouse and Energy Reporting scheme", but following complaint that the CERT was contradictory to the NGER Scheme this was later changed in the second round consultation to the "CERT is underpinned by data collected as part of the NGER scheme and the Renewable Energy Target (RET)".

How should carbon accounting be reformed for ACCUs?

The first step is to broaden the scope of the NGER Determination to cover guidance on Scope 3 emissions reporting, and to then define ACCUs as negative scope 3 emissions in legislation.

The NGER Framework through a reformed NGER Determination should be Australia's single GHG and renewables accounting framework that applies across the whole economy, both for mandatory reporting and voluntary markets, and should cover scope 1, Scope 2 and Scope 3 accounting.

- Scope 1 emissions accounting would not change (by definition, it is location based). With ACCUs legally defined as negative scope 3 emissions, there will be clarification that the use of carbon offsets does not change scope 1 emissions, but rather is an offset for combined scope 1+2+3 emissions. .

● Scope 2 accounting should be changed to market based accounting (more about this next week)
● Scope 3 accounting guidelines should be introduced to cover the approaches to acknowledge upstream and downstream supply chain emissions and carbon offset accounting.
● Debit and credit rules should apply
DEBIT RULE When a creator of ACCUs sells these offsets they should add a scope 3 emission to their account.
For example, where a farmer sequesters 1000 tonnes of carbon dioxide from re-establishing forest, they can claim 1000 tonnes of negative scope 1 emissions. If they create and sell 1000 tonnes of ACCUs from this activity, they must add 1000 tonnes of scope 3 emissions to their account. Their net result for this activity is -1000 tonnes S1 + 1000 tonnes S3 which = 0 tonnes overall.
The buyer could then use and claim the -1000 tonnes S3 to offset their aggregate emissions.
CREDIT RULE When a buyer of an ACCU or user of an offset product they are entitled to claim a scope 3 emissions reduction
● Currently, NGER reporting corporations are not required to acknowledge or quantify significant scope 3 emissions. However, when NGER reporters seek to make reputational claims using market based accredited renewables or carbon offsets (including ACCUS), they should be required to report on all significant scope 3 emissions.
Conclusion
Because ACCUs are not legally defined as incorporating a negative emission and in fact the abatement can be claimed by the creator and end user at the same time, there is a fundamental lack of integrity in Australia's only carbon offset unit. The problem is cause by a reluctance by the federal Government to properly establish market based accounting for scope 2 and 3 emissions.
ACCUs are used by the federal Government to pay polluters for emissions reductions in the absence of any carbon pricing mechanism, they are used by business to create as a source of revenue and by consumers for an emissions reduction attribute that they don't have.
The issue can be fixed but to date it appears that the responsible Government Department does not have regard to established carbon accounting processes and has created perverse concepts which benefit big polluters.
The Department claimed in their consultation Outcomes report for the 2022 NGERE Determination Consultation that it would not be considering the use of ACCU Carbon offsets to reduce Scope 1 emissions in NGER Reporting. Such a concept should never be adopted under any conditions as that is not how carbon accounting works. The Department has allowed this under the Safeguard Rule under a different name and it should not have done so.
The Department has allowed for ACCUs to be used directly against scope 1 emissions in its CERT reporting scheme for an offset Net Scope 1 emissions outcome value. It should not have done so.
The Department has created multiple and growing different and contradictory accounting and assurance schemes. Australia only needs one market based accounting framework for GHG emissions, offsets and renewables, to be established in law and to prevent double counting.

05-BP. (b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

- Yes

05-BR. Please explain your answer:

A Renewable Electricity Transition Plan should be included based on market based accounting principles. To do this, nations need to establish market based accounting for electricity under legislation for all market participants and stop the use of location based scope 2 emission claims.
Also, it is important that the Residua;l Mix factors of major grids are covered by a legislated determination (such as the NGER Determination).
In Australia, the Federal Government has created a Residual Mix Factor under Climate Active that is not appropriately used, calculated or understood.
It currently does not net out all small scale solar schemes claimed by householders and does not net out voluntary accredited renewables. As previouslky stated, All voluntary accredited renewables in Australia are double counted.

05-CP. (c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

- Broadly Disagree

05-CR. Please explain your answer:

Without fundamental reform, a legal foundation, defining carbon offsets as negative scope 3 emissions and basic debit and credit rules all of these disclosures will lack any credibility or meaning.
They will simply be another attempt to legitimise greenwashing and free riding.

05-DP. (d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

- Broadly Disagree

05-DR. Please explain your answer:

As covered above, carbon offsets in Australia are not legitimate, remain undefined in scope and basic debit and credit rules do not apply.

Question 6—Current and anticipated effects

The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

The TCFD's 2021 status report identified the disclosure of anticipated financial effects of climate-related risks and opportunities using the TCFD Recommendations as an area with little disclosure. Challenges include: difficulties of organisational alignment, data, risk evaluation and the attribution of effects in financial accounts; longer time horizons associated with climate-related risks and opportunities compared with business horizons; and securing approval to disclose the results publicly. Disclosing the financial effects of climate-related risks and opportunities is further complicated when an entity provides specific information about the effects of climate-related risks and opportunities on the entity. The financial effects could be due to a combination of other sustainability-related risks and opportunities and not separable for the purposes of climate-related disclosure (for example, if the value of an asset is considered to be at risk it may be difficult to separately identify the effect of climate on the value of the asset in isolation from other risks).

Similar concerns were raised by members of the TRWG in the development of the climate-related disclosure prototype following conversations with some preparers. The difficulty of providing single-point estimates due to the level of uncertainty regarding both climate outcomes and the effect of those outcomes on a particular entity was also highlighted. As a result, the proposals in the Exposure Draft seek to balance these challenges with the provision of information for investors about how climate-related issues affect an entity's financial position and financial performance currently and over the short, medium and long term by allowing anticipated monetary effects to be disclosed as a range or a point estimate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.

Paragraphs BC96–BC100 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

06-AP. (a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

- Broadly Agree

06-AR. Please explain your answer:

N/A

06-BP. (b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

- Broadly Disagree

06-BR. Please explain your answer:

If the GHG and renewables accounting is flawed the financial disclosures associated with GHG and renewables disclosures is also flawed

06-CP. (c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

- Broadly Agree

06-CR. Please explain your answer:

N/A

Question 7—Climate resilience

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks. These requirements focus on:

- what the results of the analysis, such as impacts on the entity's decisions and performance, should enable users to understand; and
- whether the analysis has been conducted using:
    - climate-related scenario analysis; or
    - an alternative technique.

Scenario analysis is becoming increasingly well established as a tool to help entities and investors understand the potential effects of climate change on business models, strategies, financial performance and financial position. The work of the TCFD showed that investors have sought to understand the assumptions used in scenario analysis, and how an entity's findings from the analysis inform its strategy and risk-management decisions and plans. The TCFD also found that investors want to understand what the outcomes indicate about the resilience of the entity's strategy, business model and future cash flows to a range of future climate scenarios (including whether the entity has used a scenario aligned with the latest international agreement on climate change). Corporate board committees (notably audit and risk) are also increasingly requesting entity-specific climate-related risks to be included in risk mapping with scenarios reflecting different climate outcomes and the severity of their effects.

Although scenario analysis is a widely accepted process, its application to climate-related matters in business, particularly at an individual entity level, and its application across sectors is still evolving. Some sectors, such as extractives and minerals processing, have used climate-related scenario analysis for many years; others, such as consumer goods or technology and communications, are just beginning to explore applying climate-related scenario analysis to their businesses.

Many entities use scenario analysis in risk management for other purposes. Where robust data and practices have developed, entities thus have the analytical capacity to undertake scenario analysis. However, at this time the application of climate-related scenario analysis for entities is still developing.

Preparers raised other challenges and concerns associated with climate-related scenario analysis, including: the speculative nature of the information that scenario analysis generates, potential legal liability associated with disclosure (or miscommunication) of such information, data availability and disclosure of confidential information about an entity's strategy. Nonetheless, by prompting the consideration of a range of possible outcomes and explicitly incorporating multiple variables, scenario analysis provides valuable information and perspectives as inputs to an entity's strategic decision-making and risk-management processes. Accordingly, information about an entity's scenario analysis of significant climate-related risks is important for users in assessing enterprise value.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

Requiring disclosure of information about climate-related scenario analysis as the only tool to assess an entity's climate resilience may be considered a challenging request from the perspective of a number of preparers at this time—particularly in some sectors. Therefore, the proposed requirements are designed to accommodate alternative approaches to resilience assessment, such as qualitative analysis, single-point forecasts, sensitivity analysis and stress tests. This approach would provide preparers, including smaller entities, with relief, recognising that formal scenario analysis and related disclosure can be resource intensive, represents an iterative learning process, and may take multiple planning cycles to achieve. The Exposure Draft proposes that when an entity uses an approach other than scenario analysis, it disclose similar information to that generated by scenario analysis to provide investors with the information they need to understand the approach used and the key underlying assumptions and parameters associated with the approach and associated implications for the entity's resilience over the short, medium and long term.

It is, however, recommended that scenario analysis for significant climate-related risks (and opportunities) should become the preferred option to meet the information needs of users to understand the resilience of an entity's strategy to significant climate-related risks. As a result, the Exposure Draft proposes that entities that are unable to conduct climate-related scenario analysis provide an explanation of why this analysis was not conducted. Consideration was also given to whether climate-related scenario analysis should be required by all entities with a later effective date than other proposals in the Exposure Draft.

Paragraphs BC86–BC95 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

07-AP. (a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

- Broadly Agree

07-AR. Please explain your answer:

N/A

(b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

07-BiP.
(i) Do you agree with this proposal? Why or why not?

- Broadly Agree

07-BiR. Please explain your answer:

N/A

07-BiiP. (ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

- Broadly Agree

07-BiiR. Please explain your answer:

N/A

07-BiiiR.
(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

For small entities this might be difficult. Could be addressed at a sector level, such as at a retail sector level

07-CP. (c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

- Broadly Agree

07-CR. Please explain your answer:

N/A

07-DP. (d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

- Broadly Agree

07-DR. Please explain your answer:

N/A

07-EP. (e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

- Broadly Agree

07-ER. Please explain your answer:

N/A

Question 8—Risk management

An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value. Such disclosures include information for users to understand the process, or processes, that an entity uses to identify, assess and manage not only climate-related risks, but also climate-related opportunities.

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-related risks. This proposal reflects both the view that risks and opportunities can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritisation and response.

Paragraphs BC101–BC104 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

08-AP. Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

- Broadly Agree

08-AR. Please explain your answer:

N/A

Question 9—Cross-industry metric categories and greenhouse gas emissions

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered. These criteria were designed to identify metrics and metric categories that are:

- indicative of basic aspects and drivers of climate-related risks and opportunities;
- useful for understanding how an entity is managing its climate-related risks and opportunities;
- widely requested by climate reporting frameworks, lenders, investors, insurance underwriters and regional and national disclosure requirements; and
- important for estimating the financial effects of climate change on entities.

The Exposure Draft thus proposes seven cross-industry metric categories that all entities would be required to disclose: greenhouse gas (GHG) emissions on an absolute basis and on an intensity basis; transition risks; physical risks; climate-related opportunities; capital deployment towards climate-related risks and opportunities; internal carbon prices; and the percentage of executive management remuneration that is linked to climate-related considerations. The Exposure Draft proposes that the GHG Protocol be applied to measure GHG emissions.

The GHG Protocol allows varied approaches to be taken to determine which emissions an entity includes in the calculation of Scope 1, 2 and 3—including for example, how the emissions of unconsolidated entities such as associates are included. This means that the way in which information is provided about an entity's investments in other entities in their financial statements may not align with how its GHG emissions are calculated. It also means that two entities with identical investments in other entities could report different GHG emissions in relation to those investments by virtue of choices made in applying the GHG Protocol.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

- separately Scope 1 and Scope 2 emissions, for:
    - the consolidated accounting group (the parent and its subsidiaries);
    - the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and
- the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).

The disclosure of Scope 3 GHG emissions involves a number of challenges, including those related to data availability, use of estimates, calculation methodologies and other sources of uncertainty. However, despite these challenges, the disclosure of GHG emissions, including Scope 3 emissions, is becoming more common and the quality of the information provided across all sectors and jurisdictions is improving. This development reflects an increasing recognition that Scope 3 emissions are an important component of investment-risk analysis because, for most entities, they represent by far the largest portion of an entity's carbon footprint.

Entities in many industries face risks and opportunities related to activities that drive Scope 3 emissions both up and down the value chain. For example, they may need to address evolving and increasingly stringent energy efficiency standards through product design (a transition risk) or seek to capture growing demand for energy-efficient products or seek to enable or incentivise upstream emissions reduction (climate opportunities). In combination with industry metrics related to these specific drivers of risk and opportunity, Scope 3 data can help users evaluate the extent to which an entity is adapting to the transition to a lower-carbon economy. Thus, information about Scope 3 GHG emissions enables entities and their investors to identify the most significant GHG reduction opportunities across an entity's entire value chain, informing strategic and operational decisions regarding relevant inputs, activities and outputs.

For Scope 3 emissions, the Exposure Draft proposes that:

- an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;
- an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;
- if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and
- if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes non-mandatory Illustrative Guidance for each cross-industry metric category to guide entities.

Paragraphs BC105–BC118 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

09-AP. (a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

- Broadly Agree

09-AR. Please explain your answer:

This won't work unless there are legislated market based rules for emissions accounting covering scope 1, 2 and 3 emissions.

There needs to be market based rules for accounting for electricity that are established in law and are not undermined by Governments continuing to allow Corporations to report on location based electricity scope 2 emissions.

Carbon offsets need to be legally defined as negative scope 3 emissions in all participating jurisdictions or systemic double counting will continue.

The correct use of applying carbon offsets needs to be defined for these disclosures to prevent against nonsense concepts that the Federal Government in Australia has used such as Net scope 1 emission values.

If carbon offsets are used at all, they must be used as a negaitve Scope 3 emission applied across the aggregate of an entities Scope 1+Scope 2 + significant Scope 3 emissions. It is completely inappropriate for carbon offsets to be claimed under Scope 1& 2 only disclosures such as the Australian Government's Corporate Emissions Reduction Transparency (CERT) reporting scheme.

09-BP. (b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

- No

09-BR. Please explain your answer:

N/A

09-CP. (c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

- Broadly Agree

09-CR. Please explain your answer:

The GHG Protocol is itself vague and does not prescribe accounting standards and methods.

The GHG Protocol Scope 2 Guidance should bu updated to guide Market Based Only scope 2 accounting because dual reporting is overly complex and has been exploited to ignore the Guidance Quality criteria and allow simultaneous choice of either location based or market based methods. Itr is misrepresened in Australia.

The GHG Protocol is very poor on market based accounting and use of carbon offsets. It needs to be updated to adequately define carbon offsets as negative scope 3 emissions and establish debit and credit principles for GHG accounting across sellers and buyers.

09-DP. (d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3—expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

- Broadly Disagree

09-DR. Please explain your answer:

Need to be dis-aggregated.

The only time for aggregation is at the highest level of stating that a corporations combined scope 1, 2 & 3 emissions are:.......

09-EP. (e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

(i) the consolidated entity; and

(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

- Broadly Agree

09-ER. Please explain your answer:

N/A

09-FP. (f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

- Broadly Agree

09-FR. Please explain your answer:

N/A

Question 10—Targets

Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity's targets compare with those prescribed in the latest international agreement on climate change.

The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement.

Paragraphs BC119–BC122 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

010-AP. (a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

- Broadly Agree

010-AR. Please explain your answer:

N/A

010-BP. (b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

- Broadly Agree

010-BR. Please explain your answer:

N/A

Question 11— Industry-based requirements

The Exposure Draft proposes industry-based disclosure requirements in Appendix B that address significant sustainability-related risks and opportunities related to climate change. Because the requirements are industry-based, only a subset will apply to a particular entity. The requirements have been derived from the SASB Standards. This is consistent with the responses to the Trustees' 2020 consultation on sustainability that recommended that the ISSB build upon existing sustainability standards and frameworks. This approach is also consistent with the TRWG's climate-related disclosure prototype.

The proposed industry-based disclosure requirements are largely unchanged from the equivalent requirements in the SASB Standards. However, the requirements included in the Exposure Draft include some targeted amendments relative to the existing SASB Standards. The proposed enhancements have been developed since the publication of the TRWG's climate-related disclosure prototype.

The first set of proposed changes address the international applicability of a subset of metrics that cited jurisdiction-specific regulations or standards. In this case, the Exposure Draft proposes amendments (relative to the SASB Standards) to include references to international standards and definitions or, where appropriate, jurisdictional equivalents.

Paragraphs BC130–BC148 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals to improve the international applicability of the industry-based requirements.

011-AP. (a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

- Broadly Agree

011-AR. Please explain your answer:

N/A

011-B.
(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

Please select which industries you would like to comment on. If you would like to comment on all industries select 'All industries'.

- All industries

If you do not see comment boxes for all of the industries you selected, please move to the next page(s) to view.

011B-ALL1. All industries

N/A

011B-ALL2. All industries (continued)

N/A

011-CP. (c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

- Broadly Disagree

011-CR. Please explain your answer:

First, we need basic GHG and renewables accounting reforms. Consistent legislated frameworks are required in each jurisdiction as is expected of financial markets.

The second set of proposed changes relative to existing SASB Standards address emerging consensus on the measurement and disclosure of financed or facilitated emissions in the financial sector. To address this, the Exposure Draft proposes adding disclosure topics and associated metrics in four industries: commercial banks, investment banks, insurance and asset management. The proposed requirements relate to the lending, underwriting and/or investment activities that finance or facilitate emissions. The proposal builds on the GHG Protocol Corporate Value Chain (Scope 3) Standard which includes guidance on calculating indirect emissions resulting from Category 15 (investments).

Paragraphs BC149–BC172 of the Basis for Conclusions describe the reasoning behind the Exposure Draft’s proposals for financed or facilitated emissions.

011-D.
(d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

Please select which industries you would like to comment on. If you would like to comment on all industries select 'All industries'.

- All industries

011D-ALL. All industries

Financial disclosures rely on legislated and consistent market based GHG and renewables accounting across all jurisdictions.

011-EP. (e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

- Broadly Agree

011-ER. Please explain your answer:

N/A

011-FP. (f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

- Broadly Agree

011-FR. Please explain your answer:

N/A

011-GP. (g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

- Broadly Agree

011-GR. Please explain your answer:

Consistency is essential for credibility.
In Australia, selecting from multiple GHG accounting methods and frameworks has created nothing but distrust and confusion.

011-HP. (h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

- Broadly Agree

011-HR. Please explain your answer:

As previously discussed, the GHG Protocols need to be updated to properly define carbon offsets as negative scope 3 emissions, and guide basic debit and credit rules. The GHG Protocol Scope 2 Guidance needs to be updated to guide market based only Scope 2 emissions accounbting to stop the confusion and systemic misuse and double counting of, renewables use and scope 2 emissions avoidance.

011-IP. (i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

- Broadly Agree

011-IR. Please explain your answer:

N/A

Overall, the proposed industry-based approach acknowledges that climate-related risks and opportunities tend to manifest differently in relation to an entity's business model, the underlying economic activities in which it is engaged and the natural resources upon which its business depends or which its activities affect. This affects the assessment of enterprise value. The Exposure Draft thus incorporates industry-based requirements derived from the SASB Standards.

The SASB Standards were developed by an independent standard-setting board through a rigorous and open due process over nearly 10 years with the aim of enabling entities to communicate sustainability information relevant to assessments of enterprise value to investors in a cost-effective manner. The outcomes of that process identify and define the sustainability-related risks and opportunities (disclosure topics) most likely to have a significant effect on the enterprise value of an entity in a given industry. Further, they set out standardised measures to help investors assess an entity's performance on the topic.

Paragraphs BC123–BC129 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals related to the industry-based disclosure requirements.

While the industry-based requirements in Appendix B are an integral part of the Exposure Draft, forming part of its requirements, it is noted that the requirements can also inform the fulfilment of other requirements in the Exposure Draft, such as the identification of significant climate-related risks and opportunities (see paragraphs BC49–BC52).

011-JP. (j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

- Broadly Disagree

011-IR. Please explain your answer:

There needs to be a greater customer and end user focus. The customers are the ones that need to tolerate the industry narrative, good, bad and greenwash.

011-KP. (k) Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

- No

011-KR. Please explain your answer:

N/A

011-LP. (l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

- No

011-LR. Please explain your answer:

N/A

Question 12—Costs, benefits and likely effects

Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.

012-AR. (a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

Carbon markets as a whole are at stake.
Currently there is nothing credible in Australia's carbon markets.
If consumer confidence cannot be assured through LEGISLATED frameworks and assurances, then there will not be any consumer confidence/

012-BR. (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

Australia has now created the NGER Determination, the National Greenhouse Accounts, Climate Active accounting, the Corporate Emissions Reduction Transparency Report, NABERS, the Hydrogen Guarantee of Origin Scheme, GreenPower, Voluntary Surrender of LGCs and is now looking at a Renewables Guarantee of Origin Scheme.
All of these schemes apply different competing and contradictory GHG and renewables accounting methods and concepts creating an absolute farce with complete double counting of everything, with great complexity and excessive bureaucracy and cost.
est need one National Greenhouse and Energy Accounting Scheme that is market based and applies across all organisations and markets to be used by those with mandatory obligations and in voluntary markets.

012-CP. (c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

- No

012-CR. Please explain your answer:

N/A

Question 13—Verifiability and enforceability

Paragraphs C21–24 of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* describes verifiability as one of the enhancing qualitative characteristics of sustainability-related financial information. Verifiability helps give investors and creditors confidence that information is complete, neutral and accurate. Verifiable information is more useful to investors and creditors than information that is not verifiable.

Information is verifiable if it is possible to corroborate either the information itself or the inputs used to derive it. Verifiability means that various knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation.

013-AP. Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

- Yes

013-AR. Please explain your answer:

Nothing can be audited, verified or enforced if there are legislated and consistent market based rules for GHG and renewables accounting.
Scope 1 is location based always
Scope 2 should be market based only, unless a jurisdiction and electricity grid is already 100% renewable
Scope 3 is by definition, market based, and therefore carbon offsets are also by definition, scope 3 and market based.
Debit and credit rules need to apply
Carbon offsets should only be applied across aggregated S1+S2+ Significant S3 emissions and nothing less.

Question 14—Effective date
Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach.

Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.

[Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* requires entities to disclose all material information about sustainability-related risks and opportunities. It is intended that [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* could take longer to implement.

Paragraphs BC190–BC194 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

014-AP. (a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*? Why?

- Later

014-AR. Please explain your answer:
Entities should not try and use this Disclosure Framework until the basic foundational GHG and Renewables accounting frameworks are legally established in their country of operation.
Without this the disclosures are meaningless and potentially greenwash.

014-BR. (b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.
N/A

014-CP. (c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

- Broadly Disagree

014-CR. Please explain your answer:
No legal foundation. Systemic double counting.

Question 15—Digital reporting
The ISSB plans to prioritise enabling digital consumption of sustainability-related financial information prepared in accordance with IFRS Sustainability Disclosure Standards from the outset of its work. The primary benefit of digital consumption of sustainability-related financial information, as compared to paper-based consumption, is improved accessibility, enabling easier extraction and comparison of information. To facilitate digital consumption of information provided in accordance with IFRS Sustainability Disclosure Standards, an IFRS Sustainability Disclosures Taxonomy is being developed by the IFRS Foundation. The Exposure Draft and [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* Standards are the sources for the Taxonomy.

It is intended that a staff draft of the Taxonomy will be published shortly after the release of the Exposure Draft, accompanied by a staff paper which will include an overview of the essential proposals for the Taxonomy. At a later date, an Exposure Draft of Taxonomy proposals is planned to be published by the ISSB for public consultation.

015-AR. Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

No,

Get the rules right with a single common accounting framework and then ease of reporting will be optimised.

Question 16—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

016-AP. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

N/A

016-AR. Please explain your answer:

International debit and credit rules for dealing with carbon offset trades

Question 17—Other comments

017-AR. Do you have any other comments on the proposals set out in the Exposure Draft?

I would be very happy to discuss my submission.

My recent submission on the National Greenhouse and Energy Reporting Determination 2022 is relevant. I will be making a direct submission.

Kind regards

Tim Kelly

29 July 2022

Mr. Emmanuel Faber, Chair
International Sustainability Standards Board
IFRS Foundation
Columbus Building
7 Westferry Circus Canary Wharf
London, E14 4HD, UK

RE: International Sustainability Standards Board consultation on Exposure Drafts
Part A: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
Part B: IFRS S2 Climate-related Disclosures

Dear Mr Faber,

We support the announcement for the establishment of the International Sustainability Standards Board (ISSB) and the development of standards that will provide global reporting baseline on sustainability disclosures. We thank you for the opportunity to comment on two proposed IFRS Sustainability Disclosure Standards published by the ISSB. Following is an introduction of who we are and then our response to selected consultation questions in the exposure drafts.

About Us

This comment letter is a joint submission between the School of Accounting, Auditing and Taxation (AATX) and the Collaboration for Energy and Environmental Markets (CEEM) both part of the University of New South Wales, Sydney Australia.

The School of AATX is in the Business School and is internationally renowned for its innovative research. In several published rankings, the School of AATX is seen as the top accounting research institution in Australia and the world and one of the premier Schools in the Asia Pacific. We are also known for our high-quality teaching at both undergraduate and graduate levels. See website for more information.

The Collaboration for Energy and Environmental Markets (CEEM) undertakes interdisciplinary research in the design, analysis and performance monitoring of energy and environmental markets, environmental reporting and their associated policy frameworks. CEEM brings together UNSW researchers from the Faculties of Engineering, Arts, Sciences and Architecture, Law and the Business School, working alongside a number of Australian and International partners. See website for more information.

Please contact Dr Maria Balatbat, Senior Lecturer, School of AATX and Director of CEEM at m.balatbat@unsw.edu.au if you have any questions about this submission.

Part A: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

General comments

- The ED focusses on significant sustainability issues that are material. Materiality is the usual "importance" criterion used in accounting standards to indicate whether an issue should be recognised or disclosed. IFRS Practice Statement 2 (2017) provides guidelines on making materiality judgements. The exposure draft should be consistent with those guidelines. Further guidance to identify significant sustainability issues is needed to ensure consistency in application of the proposed standard.
- The concept of materiality is used as a centrepiece in recent amendments to IFRS, e.g., paragraphs 117–122 of IAS 1 *Presentation of Financial Statements (2021)* now require disclosure of material accounting policies rather than significant accounting policies. Therefore, climate-related disclosures should be consistent with this emphasis on materiality.
- In IAS 37, paragraph 86 contingent liabilities are not recognised in the financial statements and are disclosed in notes only if the possibility of outlay occurring is more than remote. Disclosures shall be of (a) the liability's estimated financial effect; (b) the uncertainties about the amount or timing of any outflow; and (c) the possibility of reimbursement. It would be good if the sustainability-related disclosures are consistent with these criteria.
- In general, the proposed disclosures add to the already long list of disclosures required by IFRS standards. There has been push back from preparers and users of IFRS-based financial statements that these disclosure requirements are too onerous. The Disclosure Initiative project was the IASB's response to this so-called disclosure overload problem. The proposed requirements should be consistent with that document. The proposed disclosure requirements probably should apply to all listed companies, but for unlisted companies there could be some size-based thresholds for requiring the new disclosures to be implemented, just as there is for the non-application of IFRS by smaller unlisted companies. For example, in Australia, proprietary (unlisted) companies which do not meet any two of the following size thresholds are not required to use IFRS: (1) gross operating revenue less than $50million; (2) gross assets less than 25 million; (3) fewer than 100 equivalent full-time employees.
- The concept of "sustainability" is not clearly defined in the ED. Some clarification is needed for users to better understand the concept as applied in business reporting.

Question 1—Overall approach

(a) **Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?**

  - Agree

(b) **Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?**

  - Agree overall but see specific comments on other parts of this submission, including the general comments above.

(c) **Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?**

- How this Exposure Draft articulates with the ED on Climate-related disclosures is a bit unclear.

(d) **Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why**

- The issue of having these disclosures audited is not clear. More discussion is needed on the level of assurance and type of audit provider.

Question 2—Objective (paragraphs 1–7)

The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.

(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

- Agree

(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer

- Disagree. "Sustainability" is not adequately defined in the ED.

Question 3 Scope (paragraphs 8–10)

Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

- Yes, the ED's proposals could be used with any jurisdiction's GAAP.

Question 5—Reporting entity (paragraphs 37–41)

Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

- Agree

Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

- Agree

Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

- Agree overall, but because many mining organisations also have associates and joint ventures, the way these paragraphs are worded creates an impression that sustainability issues arising with associates and joint ventures are of secondary importance.

Question 7—Fair presentation (paragraphs 45–55)

Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

- The sustainability disclosures required in the ED should also be consistent with the guidelines in the IASB's Disclosure Initiative report.
- As well as requiring an entity: "to disclose information that is relevant, representationally faithful, comparable, verifiable, timely and understandable", the information should also be Material. Materiality is mentioned in paragraphs 48-49, so it should be included among "relevant, representationally faithful …timely and understandable".

Question 8—Materiality (paragraphs 56–62)

Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

- IFRS Practice Statement 2 (2017) provides guidelines on making materiality judgements. The exposure draft should be consistent with those guidelines.

Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

- Agree. All else equal, the general laws of a particular country should take precedence over accounting standards.

Question 9—Frequency of reporting (paragraphs 66–71)

Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

- Agree. The sustainability related financial disclosures made at the same time as financial statements allow investors to get a complete picture of the entity's performance.

Question 10—Location of information (paragraphs 72–78)

Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

- Yes provided it is made clear that these disclosures form part of the entity's general purpose financial report.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)

UNSW SYDNEY

The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.

(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

- Agree

(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

- Agree, provided that an explanation is given for the revised metric in the comparatives.

(c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

- Agree.

Question 12—Statement of compliance (paragraphs 91-92)

The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

- It is better and more informative to state that the entity is not complying with the IFRS sustainability disclosure standard because local laws/regulations prohibit such disclosures.

Question 13—Effective date (Appendix B)

When the ISSB sets the effective date, how long does this need to be after a final Standard is issued?

Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

- How long the effective date will be after the final standard is issued depends on the complexity and impact of the standard. For example, for IFRS 16 Leases, several years elapsed between date of the standard (2016) and the effective date (2019). In the case of IFRS Sustainability Disclosure standard, a major change in disclosures is required and many of the requirements will require a change in an entity's reporting system. As the disclosures are likely to be complex for many firms, some flexibility is needed. So perhaps companies could be given a period of two years to implement the standard.

Question 14—Global baseline

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner (to build on existing regulations about sustainability in force in some countries)? If so, what aspects and why? What would you suggest instead and why?

- In cases where local regulations require some of the provisions of this ED already. General purpose financial reports could state the extent to which compliance with these local regulations ensure compliance with the IFRS Sustainability Disclosure Standards.

Question 16—Costs, benefits and likely effects

The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider

- The issue of likely benefits and likely costs has been explored in academic research papers. A very recent survey is Clarkson, Grewel, Richardson, (2022) "The Equity Value Relevance of Carbon Emissions" forthcoming in *Handbook of Business and Climate Change* edited by Robert G. Hansen and Anant K. Sundaram (Edward Elgar Publishing). This paper reports that recent studies show mandated carbon emission disclosures provide significant benefits, largely by increasing the ability to benchmark a firm's carbon performance against its industry/sector peers (Clarkson, Grewel, Richardson 2022).

- Another useful, recent review is Christensen, Hail and Leuz 2021 "Mandatory CSR and Sustainability Reporting: Economic Analysis and Literature Review" *Review of Accounting Studies* 2021 vol 26, pages 1176–1248.

- Ongoing costs. The ISSB should consider creating thresholds which require IFRS Sustainability Disclosure Standards to be implemented, with exemptions for entities that do not meet the thresholds. IFRS standards are often criticised as being too complex and costly to comply with for some reporting entities. Therefore, some exemptions exist within the suite of IFRS standards – the IFRS for SMEs – and size/listing status exemptions in some jurisdictions. For example, in Australia all listed public companies must apply IFRS, as is also the case in the EU. That rule could easily be extended to IFRS Sustainability Disclosure Standards. For unlisted companies, Australian regulations require use of IFRS except for small proprietary companies that meet any two of the following three rules: (1) gross operating revenue less than $50million; (2) gross assets less than $25 million; (3) fewer than 100 equivalent full-time employees. Similar exemptions could be made to apply to IFRS Sustainability Disclosure Standards to relieve the cost burden of the disclosures for smaller companies and which arguably might have relatively small sustainability impacts anyway.

Part B: Comments on Exposure Draft IFRS S2 Climate-related Disclosures

General comments

- The term 'significant' is widely used in the standard but not as well understood as in the concept of "materiality" in financial reporting. Application of "significance" needs further clarification and guidance. Are there insights or lessons to be learnt on how these financial effect provisions are similar or dissimilar to IFRS on financial statement materiality (IFRS Practice Statement 2)? IFRS Practice Statement 2 (2017) provides guidelines on making materiality judgements. The exposure draft should be consistent with those guidelines. More generally, there should be guidance on what type of convergence is expected between traditional accounting statement standards and what is being requested in sustainability reporting.

- The concept of materiality is used as a centrepiece in recent amendments to IFRS, e.g., paragraphs 117–122 of IAS 1 *Presentation of Financial Statements (2021)* now require disclosure of material accounting policies rather than significant accounting policies. Therefore, climate-related disclosures should be consistent with this emphasis on materiality.

Question 2 - Governance

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

- Yes. The requirement will put the onus on the responsibility of managing climate risks to those charged with governance (e.g., directors and senior management) which is intended to provide more reliable climate-related disclosures. The release of the standard will align with existing laws, guidance, practices and expectations of regulators and investors of well-established capital markets internationally, including Australia (ASX Corporate Governance Recommendation 7.4, Section 299A (1)(a) of Corporations Act 2001 and Australian Securities and Investment Commission's Regulatory Guide 247).

Question 4 – Concentrations of climate-related risks and opportunities in an entity's value chain

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

- Broadly agree. It is important to note, however, that content addressing paragraph 12 should be read in combination with the quantitative information on the effects of significant climate-related risks and opportunities required under paragraph 14. That is, the qualitative disclosures in paragraph 12 provide a business model context for the quantitative information disclosed in paragraph 14.

Question 5 – Transition Plans and Carbon Offsets

(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

- We welcome the proposal for entities to disclose their transition plans. The set of disclosure requirements outlined in paragraph 13 are reasonable.
- We suggest the seeming interchangeability of the terms 'strategy' and 'business model' in paragraph 13 (a) (i) by reconciled. This paragraph introduces the term 'business model', yet the description in sub paragraph (1) then focuses on strategy and resource allocation. We suggest using the term 'strategy' throughout this section to maintain clarity. Where an entity adapts its strategy, without changing its business model, this disclosure may be omitted with the current language.
- We suggest reconciling the somewhat overlapping requirements of paragraphs 13 (b) and 23. The former paragraph outlines the target setting process broadly, while the latter paragraph specifies the disclosures required for each climate-related target. Providing a linking statement between these paragraphs is important; otherwise, it is suggested the target setting guidance in this section be moved to paragraph 23 for clarity.

- We suggest further guidance may be necessary on how to deal with disclosure on strategies that are relevant to a transition plan but commercially sensitive, i.e., if disclosed may be damaging to the entity (e.g., signalling a hostile takeover or changing suppliers).
- We suggest providing comprehensive example(s) of what is a sufficiently detailed 'transition plan' for disclosure purposes? For example, the UK Transition Taskforce is developing a gold standard for corporate transition plans (https://transitiontaskforce.net/). In addition, CDP has done some useful research into this area (https://www.cdp.net/en/guidance/guidance-for-companies/climate-transition-plans). Are there best practice illustrations of detailed transition plan that a preparer could use as guidance?

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

- Clarification may be helpful as to whether disclosing strategies for dealing with physical risks of climate change are part of a 'transition plan' or whether a term such as 'transition and adaptation plan' is more appropriate. Paragraph 3 makes clear the difference between physical risks and transition risks to a low carbon economy (such as regulatory, technological, market, legal or reputational risks). While adaptation is mentioned in paragraph 13, is there a danger of it being lost in what seems to be framed as the 'transition plan' paragraph? Or is it intended not to have the same level of disclosure on strategies for managing physical risks of climate change?

(c) Do you think the proposed carbon offset disclosures will enable users of general-purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

- We welcome the proposed carbon offset disclosures. The credibility of carbon offsets has long been - and continues to be - a major issue in Australia and the rest of the world. Providing information on the type and quality of offsets will be useful for investors and other stakeholders to evaluate the credibility and integrity of an entity's transition plan.
- There is an open question as to how much detail an organization can provide on medium-distant future purchases of carbon offsets. While they could commit to a third-party verification standard, the actual type of offset that would be sensible to purchase in 10-30 years' time may be radically different from currently available options, contingent on what carbon reducing technologies and methods have emerged during that period.
- The term 'offsets' is not used outside of paragraph 13. In particular, under metrics and target in paragraphs 21 and 23. Although paragraph 21 indicates disclosure of absolute gross emissions there is a possibility of an entity's emissions being masked by offsets in the metrics disclosure section. We suggest adding a disclosure section on carbon offsets in the metrics and targets section.
- There is no mention of emission reduction through the production of renewable energy. We suggest adding a disclosure section on energy produced from renewable energy for transparency.
- The above comment also relates to the question of actual offsets that have been purchased but Paragraph 13 is all about 'intended' offsets. The standard should be made clearer on the distinctions between actual carbon offsets purchased during the reporting period and intended carbon offsets as part of its strategy.

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general-purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

- Yes. The proposed carbon offset requirements do appropriately balance the cost for preparers with the need of users of general-purpose financial reporting.

Question 6—Current and anticipated effects

(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

- We support the principle of disclosure of quantitative information on the current and anticipated effects of climate-related risks and opportunities. This would provide valuable information for users of general-purpose financial reporting wanting to understand the effects of climate-related risks and opportunities on an entity.
- However, we also acknowledge that providing such quantitative information will be difficult for many smaller entities. The methodologies and modelling techniques for quantitative estimation are still evolving and the prevalence of expertise in this area is still relatively confined. We therefore welcome the option of providing qualitative information when the entity is unable to provide quantitative information. We also agree with the requirement that an explanation is given as to why they have been unable to. It may be useful to provide guidance as to what is a sufficient explanation (e.g., unavailable data, excessively expensive) and whether they should disclose when they expect to be able to provide quantitative information.
- The requirements should apply to listed companies. However, for unlisted companies, especially small unlisted companies, the option of not reporting climate related impacts should be considered. See general comment at start of this document. Relatedly are the proposed requirements consistent with the IFRS standard on small and medium entities?
- More generally, with these disclosures and with those in 6(b) and 6(c) below, we recommend providing preparers with further guidance and illustrative examples in order to better understand what is expected of these disclosure provisions, especially as to the level of detail required.
- The requirement in 6(a) and 6(c) to disclose anticipated effects of climate risks and opportunities require forward looking estimates often carry potential legal liability risks for directors or auditors in terms of material misstatements. There should be some guidance on the qualifications that would be needed to be attached to these estimates.

(b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

- We support the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period.

- As in 6(a) above, we acknowledge that providing quantitative estimates would be difficult for many entities and we welcome the option to provide qualitative information. We also suggest that you consider the possibility of exemption from these disclosure requirements for unlisted companies, perhaps based on some size test. For example, in Australia proprietary companies below specified minimum size thresholds are not required to use IFRS. Proprietary companies which meet any two of the following three tests are exempt from applying IFRS: (1) gross operating revenue less than $50million; (2) gross assets less than $25 million; (3) fewer than 100 equivalent full-time employees

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

- Agree, with the same qualifications as given in 6(b) above.
- Given the sensitivity of forward estimates to key assumptions and methodologies used in estimating financial effects, it may be useful to have such assumptions and methodologies be part of the disclosure.
- Is it expected that the long-term financial effect estimates should be connected to one (or more) of the scenarios in the scenario analysis? If so, then providing guidance or illustrations would be useful.
- Similar to a comment in our reply to 5(a), there may be commercial sensitivity considerations with respect to disclosing planned sources of funding (paragraph 14(c)(ii)).

Question 7—Climate resilience

(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

- Yes. The items listed in paragraph 15(a) should assist users to understand the climate resilience of an entity's strategy.
- It may be worthwhile to consider if there is value in providing a set of preferred scenarios that entities could have the option of using. To the extent that entities included common scenarios in their analysis, it would assist users interested in drawing meaningful comparisons across risk profiles of different entities and industries. ASCI recently released a report titled *Promises, pathways & performance - Climate change disclosure in the ASX200*. This is a survey on the trends in terms of climate disclosure in Australia's top 200 corporation, including scenario analysis. The report highlights that 88 of the ASX200 (up from 62 in previous year) have stress-tested their business against low carbon outcome scenarios.

(b) The Exposure Draft proposes that if an entity is unable to perform climate related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?

- Yes. These alternatives methods or techniques gives preparers with little capacity or experience in scenario analysis a means of providing meaningful information to users on their climate resilience. Meanwhile, they would have time to develop the skills for conducting full scenario analysis. The ISSB could later revisit whether to close off these alternative approaches.

(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

- Yes. This is a reasonable requirement.
- As a gentle means of encouraging scenario analysis adoption, it could be beneficial for the entity to include disclosing a timeline for when it plans to adopt scenario analysis.

(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

- No. As the exposure draft states, the scenario process can be resource intensive and would be an excessively onerous for many smaller entities. As the skills and practices in scenario analysis become more standardized and prevalent, mandatory application could be considered. However, in the short-term, alternative approaches should be allowed.

(c) **Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?**

- Agree
- In addition to these proposed disclosures, some type of description as to who was involved in the scenario analysis process may be useful information. A process that widely engages stakeholders of the entity, and includes outside experts, is likely to elicit greater confidence in the quality of the scenario results than those produced by a single person at a desk.
- It may be useful to provide practical examples of scenarios so as to provide a greater sense of the level of detail that is expected.
- Guidance would also be useful as to what would be expected in terms of the revisiting or updating scenarios annually. One could imagine an entity having a number of years between costly scenario analysis workshops, with reporting only minor monitoring comments in the interim years if the scenarios still appear relevant. Clarification as to whether this is a reasonable expectation would be helpful.

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

- Broadly agree. While the alignment between the analysis inputs and assumptions for both scenario analysis and alternative techniques is understandable, the disclosures in 15(b)(ii)(5) & (6) are quite detailed and would still require significant resources for small entities, who are more likely to take up the alternative techniques. It is also not clear, without further explication of these alternative techniques, as to whether all these inputs could be sensibly used in these alternative techniques.

(e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

- Broadly agree. Further guidance on expectations of the level of detail and what best practices look like, would really assist in answering this question on what looks like an onerous disclosure requirement. For major listed companies we would expect the balance to be in favour of requiring scenario analysis. In Australia, 88 of the top 200 companies, up from 62 last year, have stress-tested their business against low carbon outcome scenarios (ASCI 2022, *Promises, pathways & performance - Climate change disclosure in the ASX200*.) However, for smaller entities, even with the option of using alternative techniques, it is not clear if the balance favours this disclosure requirement.
- Or it may be possible to adopt a tiered approach that will strike a balance between difficulty, ambition and accountability.

Question 10—Targets

(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

- Broadly agree. It would be helpful to add a requirement to indicate the level at which these targets apply, given the earlier discussion of business model and value chain contained in paragraph 12. For example, targets may be established for the consolidated entity, across the entity's value chain, or for particular value chain areas (e.g., geographical areas, distribution channels).

Many thanks for the opportunity to comment on the subject exposure drafts.

Yours sincerely,

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Comment letter on the IFRS S2 Exposure Draft (ED)

Thank you for the opportunity to comment on the IFRS S1 Climate-related Disclosures ED.

We provide our comments as academics within the Tasmanian School of Business and Economics (TSBE), at the University of Tasmania who have formed a TSBE Climate Network. Our expertise spans the Business and Economics Disciplines, including Accounting, Finance, Management and Economics. We have substantial research, teaching and policy experience in climate change issues, including climate reporting.

First we provide an overview of our comments, then responses to each of the most pertinent questions raised by the ED, to which our expertise speaks (Questions 1; 3; 4; 5 (a), (c), (d); 6 (a), (c); 7 (b); 8; 9 (a), (c), (d); 10; and 17). We follow with comments which we view as critical, but which were not raised in the questions asked in the ED.

Question 1 Objective of the Exposure Draft

(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

Our response:
We partially support the objective that has been established for the ED. Crucial points which prevent us from completely agreeing are two-fold, as follows:

1. The objective should also include the impacts of the reporting entity on climate change. This approach is in line with current research which calls for 'double materiality' in corporate reporting (Adams & Mueller, 2022), especially in the context of sustainability and climate reporting.
2. Reference to the users of general purpose financial reports (GPFRs) draws from the definition of the users of GPFRs which is

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flawed. Users of GPFRs should not be limited to those making decisions about financial resources. Earlier definitions of the users of GPFRs were much broader, acknowledging that members of the general public and other stakeholders also utilise the information within GPFRs (Deegan, 2014). This is even more pronounced when we consider climate related disclosures. The users of these reports will not be those with exclusively financial interests, and therefore the objective established in this ED should acknowledge this broader group of stakeholders as report users.

(b) Does the objective focus on the information that would enable uses of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

Our response:
No, the objective only partially focuses on the information that would enable users of GPFRs to assess the effects of climate-related risks and opportunities on enterprise value, for the following reasons:

1. Given the flexibility available to reporters, in addition to the ambiguous terminology, there is too much opportunity to 'greenwash'. With the current level of flexibility offered by the ED, users of these reports will not be provided with adequately comparable information.
2. Wider climate and economic factors are not taken into consideration. For example, the objective focuses on the enterprise value of individual reporting entities, rather than effects of climate change on communities, the workforce and populations.
3. Currently, little guidance on methodology is provided. In order for these reports to be comparable and reliable, a uniform methodology should be used by all reporting entities.

(c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

Our response:
There are several problems with the disclosure requirements set out in the ED, which may not meet the objectives. The primary issues are:

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1. The definition of 'users of GPFRs' is too narrow. Climate change disclosures will be relevant to a much wider set of stakeholders, and this should be taken into consideration when outlining who the users of the reports will be.
2. Para 2 under Objective states that an entity's general purpose financial reporting shall include a complete, neutral, and accurate depiction of its sustainability-related financial information. The use of sustainability-related financial information raises questions on the meaning of 'sustainability-related' matters and what is included in the sustainability-related financial information. So, we recommend that the objective should clearly define the meaning of sustainability-related matters.

Question 3—Identification of climate-related risks and opportunities
(a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

Our response:
Based on the TCFD, transition risks include:

a. Policy and legal risks
b. Technology risk
c. Market risk
d. Reputation risk

In addition, Physical risks include:

a. Acute
b. Chronic

The TCFD risks focus on risks to the reporting entity only, and as such, do not take into consideration the wider risks which carbon emitted by the entity places on others. In addition to the risks listed above, we propose other relevant risks to report on should include:

1. Supply chain risks
2. Geopolitical risks
3. Cross border trade risks (e.g. carbon duties)
4. Risks to communities
5. Risks to ecosystems

Climate change risks and opportunities under section 9 reflect a narrow focus. The wider implications of climate change and its broader impacts are ignored

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when considering climate-related risks and opportunities in the current ED. These should include implications beyond the entity, such as implications for society and the environment more broadly.

(b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

Our response:
The disclosure requirements recommended in para 16 are primarily entity-centric and dominated by the resource-centric approach of disclosing information about risks and opportunities expected to affect the entity's business model, strategy and cash flows which are focused on climate-related financial disclosures. There are two main issues:

1. The meaning of climate-related financial disclosures is not clear. This provides entities with too much choice in deciding which climate-related financial disclosures they will report on. This flexibility compromises the comparability aspect of the disclosed information.
2. For achieving the strategy objectives, an entity shall disclose information about its climate change strategy before disclosing how climate change would affect its strategy. The entity shall inform stakeholders whether it has a strategy to deal with climate change instead of how its business strategy and financial statements are being affected by climate change. The information requirements included under the strategy objective suggest a reactive approach rather than a proactive one, which is required to combat the climate change crisis.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain

(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

Our response:
Climate-related risks, opportunities and impacts on and by the entity's business model should include those along the upstream and downstream

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supply chains. This would necessitate the disclosure of Scope 3 emissions.

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

Our response:
An entity's climate related disclosure should be both qualitative and quantitative. Our argument is supported by the below points:

1. The use of purely quantitative information risks over simplifying complex problems like climate change (Morrison et al., 2022), however it has also been argued that purely qualitative disclosures similarly lack depth.
2. Climate change impacts on the business model, enterprise value, and business strategy need to be presented qualitatively and the information on the impacts of climate change on the entity's financial performance and cash flows need to be presented quantitatively.
3. Qualitative information presented by the entity should align with the quantitative information presented by the entity, and provide more depth and context to accompany the quantitative information.

Question 5—Transition plans and carbon offsets
(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

Our response:
The entity should disclose how it plans to achieve any climate related targets. Importantly, it should report on how the targets were calculated, and how they relate to internal targets and external targets (e.g., Paris Agreement; Federal targets) (Morrison, 2021).

(c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

Our response:
Carbon offset disclosures will be necessary for users of the reports to decide on the appropriateness of the level of offsetting being used in transition, and also the quality of the offsets, which varies widely. Further, carbon offsetting

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disclosures may enable users of GPFR to understand an entity's approach to net zero emissions, but offsetting in and of itself does not result in the reduction of emissions. If carbon offset disclosures are to enable users of GPFR to understand an entity's approach to reducing emissions, they should be reported as part of a broader emissions reduction strategy.

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

Our response:
The entity should include how its offsets are generated, independent validation sources and the relevant oversight body for regulating the offsets. Carbon offsetting mechanisms are deeply problematic, and often only superficially appear to be additional. The reporting of offsets is one step in a larger process outside of the scope of this ED, which will ensure the quality and efficacy of offsetting mechanisms and their governance.

Question 6—Current and anticipated effects
(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

Our response:
The entity should disclose quantitative elements of the climate-related risks that can be compared and benchmarked with other entities. The quantitative information should include target-setting (achieved/not achieved), emissions projections and performance measures. Where quantitative data is not possible, qualitative information on impact assessment, proactive efforts, assessment tools, and internally developed methodologies for climate-related risks and opportunities should be provided.

(b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

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Our response: Yes. These are important disclosures to make, but should not entirely take the place of reporting on other risks, opportunities and impacts of climate change, arising both for the entity and by the entity's actions.

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

Our response:
More guidance is needed in relation to how to define current and anticipated effects and how firms can determine the anticipated effects on firm performance over the short, medium, and long term. Depending on the understanding of the connectivity between firms' business models and both internal and external factors, different people may assess whether the impact is over the short, medium, or long term differently. Thus, more guidance in this regard is needed to ensure firms' climate-related risk disclosures are not subjective and provide useful information to the users. Also, firms should disclose the judgments involved in determining the current and anticipated effects and in determining the effects of climate-related risks and opportunities on firms' performance over the short, medium, and long term.

Question 7—Climate resilience
(b) The Exposure Draft proposes that if an entity is unable to perform climate related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?

Our response:
The ED's current approach requires entities to disclose climate-related risk and analysis which focuses on likely climate change scenarios. The ED allows for stress testing to be disclosed as an alternative to the likely scenario cases. However, this reduces the scope for readers of the disclosures to understand the potential impact on income streams and the firm's intrinsic value, from substantial environmental change due to climate change. We therefore recommend that firms report (alongside the likely scenarios) the risks to the firms which would flow from worst case stress testing scenarios. As already required for the existing Climate Resilience disclosures, the stress testing assumptions underlying these risk estimates will also need to also be disclosed.

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Question 8—Risk management
Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

Our response:
The Exposure draft's current approach adopts a risk management review and oversight model. This is akin to the way central banks manage the risks of financial institutions – i.e. evaluating the financial institution's approach to risk management. However, statement users may not have the extensive level of risk management knowledge necessary to evaluate enterprise risk management systems. It is therefore appropriate to require firms to have an external expert provide a validation of the relevance and completeness of the risk management approach adopted by the reporting firm.

In relation to section 18, a more complete reconciliation will be required of the standard setter, to facilitate efficient reporting. Separate reporting of the financial impacts of climate change is necessary (rather than higher level descriptions of risk management processes). Guidance on how to satisfy reporting requirement but avoiding duplication is necessary. This issue will subsequently escalate as additional areas of sustainability (for example the additional planetary boundaries under pressure per Rockström et al., 2009) become more pronounced and generate spin off reporting standards.

Question 9—Cross-industry metric categories and greenhouse gas emissions
(a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

Our response:
Yes. It is of particular importance that absolute emissions are reported. Absolute emissions should be presented first. In terms of emissions intensity, it should be clear what the unit of physical or economic output being used is.

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

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Our response:
Yes, the entities should be required to use the GHG Protocol to measure Scope 1, Scope 2, and Scope 3 emissions and disclose this information to their users. This will assist entities to understand their emissions and change business models and strategies accordingly. From the user's perspective, this will help users in understanding the entity's current carbon footprint and their plans for reducing carbon footprints.

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3—expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

Our response:
We recommend both; Scope 1, Scope 2 and Scope 3 emissions disclosures should be expressed in CO2 equivalent (total figure) followed by a detailed information on constituent gases such as CH4 and NO2 under each of the scopes categories, since each of the GHGs impact on climate change uniquely. To avoid an overly complex CO2e account, the details of the constituent gases may be disclosed as notes.

Question 10—Targets
(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

Our response:
Yes. Targets should be expressed in both absolute and intensity metrics (see Para 23 (c)). Progress towards the target is essential to be included in the report. The entity should also report on how the target relates to international agreements, national targets, and also if there are any internal targets, how these relate to the overall target. In relation to these targets, it should also be disclosed how the entity plans to meet these targets (i.e. what steps are going to be taken, whether there are executive or management incentives associated with the targets). Once a target is disclosed, each reporting year should include progress towards the target in a comparable way (this includes qualitative case study type reporting, as well as quantitative measures of Co2e towards the goal).

(b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

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Our response:
Yes we agree that the proposed definition is sufficiently clear.

Question 17—Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?
Our response:

In sum, our primary criticism of the ED is the narrowness of its focus. We argue that rather than focusing on the impact on the entity alone, the external impact of each entity's carbon emitting patterns should also be reported to users. The recent IPCC report has stated that business practices must change in order to abate and avoid the worst impacts of the 2 degree + world (IPCC, 2022). With this in mind, the focus of business reporting responsibilities and the understanding of which stakeholders will use climate related disclosures must expand significantly. The principles within this ED have the capacity to inform this critical change, but at present they do not deliver in this area.

One other integral point which was not explicitly mentioned in the ED is the regulation of these proposed standards. We hope that this ED is developed into a set of standards which are then mandatorily reported on by reporting entities. Climate change is the most pressing global risk (World Economic Forum, 2022), and as such, reporting on climate issues should no longer be on a voluntary basis.

The TSBE Climate Network hopes that this submission is helpful in the further development of the IFRS S2 Climate-related Disclosures. We would be happy to further contribute to this important issue, and as such, offer our insights and expertise to IFRS and the ISSB in this submission, and are open to invitations to contribute towards more detailed developments of this ED and its inevitable standards.

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Dear Mr Faber,

***ISSB [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information ([Draft] IFRS S1) and [Draft] IFRS S2 Climate-related Disclosures ([Draft] IFRS S2)*.**

Thank you for the opportunity to comment on [Draft] IFRS S1 and [Draft] IFRS S2 published in March 2022.

Westpac Banking Corporation (Westpac) is one of the four major Australian banks with a current market capitalisation exceeding $65 billion.

Westpac recognises the importance of providing regular reports on our performance to our stakeholders, and we apply leading reporting standards. We continue to review our reporting to meet investor and stakeholder requirements and regulatory guidance.

Westpac is a founding bank and signatory to the Principles for Responsible Banking (the Principles). The Principles reinforce Westpac's commitment to the Paris Climate Agreement and the United Nations Sustainable Development Goals (SDGs) which inform our 2023 Sustainability Strategy, targets, governance mechanisms and commitments.

Westpac's sustainability reporting aligns with the Global Reporting Initiative (GRI) Standards 2016 (Comprehensive) (and we obtain limited assurance as against the GRI Standards), and our disclosures are in line with the Taskforce on Climate-Related Financial Disclosures (TCFD) recommendations and the Sustainability Accounting Standards Board (SASB) standard for Commercial Banks, Consumer Finance and Mortgage Finance.

Westpac supports the objective of the International Sustainability Standards Board (ISSB) in developing a global baseline for sustainability reporting to enhance consistency and transparency of these disclosures. While Westpac broadly agrees with the proposals in [Draft] IFRS S1 and [Draft] IFRS S2 and acknowledge that they are an important step towards the ISSBs objective, we have some overriding observations as follows:

1. Global harmonisation: We note that the scope of exposure drafts relate to the primary users of general-purpose financial reports (defined as existing and potential investors, lenders and other creditors) and to the financial materiality to enterprise value. This scope of stakeholders is narrower than existing sustainability frameworks and recently published exposure drafts on sustainability reporting by the European Financial Reporting Advisory Group (EFRAG). If the ISSB is to limit the scope of these standards to enterprise value, then consideration needs to be given to the appropriate global baseline for reporting to other interest groups. In addition, more clarity is required as to the scope of materiality in the standard particularly with regard to the concept "double materiality" which not only considers financial materiality but also impact materiality (acknowledging that there is an overlap between the

two). If the ISSB intends materiality to encompass both financial and impact materiality the wording should be clarified to articulate this and guidance should be provided to assist with consistent interpretation. We encourage collaboration with both EFRAG and the US Securities Exchange Commission (SEC) which also recently released proposed new rules for climate-related disclosures for its registrants (Proposed SEC Rules) to achieve global harmonisation.

2. Opportunities: The requirement for granular disclosures regarding opportunities and strategic decisions could result in reporting entities disclosing commercially sensitive information and/or potentially falling foul of competition laws (noting that competition/anti-trust rules vary across jurisdictions and some global companies may fall under multiple regimes). We note that the Proposed SEC Rules specifically state that disclosures regarding opportunities are optional for this reason. If necessary, with consideration of other reporting methodologies (EFRAG and the Proposed SEC Rules), Westpac propose that the ISSB adopt the same approach when requiring reporting entities to disclose how they are mitigating sustainability risks. This would allow for reporting entities to comply with their obligations under competition laws, without disclosing commercially sensitive information whilst providing stakeholders with an opportunity to understand how the reporting entity is managing highlighted risks.

3. Forward-looking statements: Local regulators in each jurisdiction will need to consider the local legal and regulatory context and possible legal issues to ensure that reporting entities can make the forward-looking statements required by the ISSB standards. It is important that the risk of litigation or regulatory challenge does not undermine reporting entities' genuine endeavours to implement the ISSB standards and the balance between this and appropriate accountability for disclosures made will need to be considered.

4. Data availability and immature methodologies: We note there are instances where the disclosures require measurement of scenario analysis and metrics where the methodologies are nascent and still require significant evolution. The disclosures for climate resilience (scenario analysis) and facilitated emissions are two examples. Similarly, the data availability for scope 3 emissions including financed emissions is still evolving. Until these methodologies have matured, entities would be forced to disclose despite the lack of appropriate data and/or methodologies. Without a phased in approach or set timeframes to allow for methodologies to develop, comparability between reporting entities will be limited and there is increased potential for significant data inaccuracies or misstatements. As such, there must be a requirement for both common methodology and equitable timeframes which allow for an uplift in capabilities.

5. Transition plans: Any requirements for disclosure of transition plans and strategies should provide guidance regarding alignment with specific net zero scenarios and include requirements regarding credibility of transition plans (including what is meant by a "credible transition plan"). Given the release of guidance on credible transition plans from the Glasgow Financial Alliance for Net Zero (GFANZ), standardisation should be considered to allow for a common basis and enhance comparability.

6. Mandatory disclosures despite absence of specific standards: The general requirements for sustainability disclosures where a specific IFRS Sustainability Disclosure Standard has not yet been developed are extensive (IFRS S1 paragraph 28 and paragraph 54). We do not consider the appropriate approach is to mandate the disclosure of these broad metrics given that this may involve significant investment and may not ultimately align with subsequent IFRS Sustainability Disclosure Standards issued on the relevant disclosure topics. We propose that until a specific IFRS Sustainability Disclosure Standard is released that these disclosures are not mandatory but that a reporting entity is permitted to disclose them if they elect to do so.

7. Effective date: We note that the current exposure draft does not include a phased in approach to implementation. As certain aspects of the disclosure will require a longer lead time for implementation particularly for reporting entities that currently do not have a mature sustainability reporting framework we would encourage the ISSB to implement a phased in approach. For example, certain aspects, such as facilitated and financed emissions will provide a significant hurdle and step change for banks to adapt to. Furthermore, the methodologies for some of these requirements are immature.

8. Future standards: We encourage the ISSB to provide a clear and transparent roadmap regarding the development and release of further sustainability reporting standards so that organisations can allocate resources accordingly.

Detailed responses to specific questions are provided in the Appendix.

Yours sincerely,

J. Grant

James Grant
Group Financial Controller
Westpac Banking Corporation

Appendix – Responses to specific questions

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

Question 1—Overall approach
(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer? (b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not? (c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear? (d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

a) <u>Westpac agrees that the Exposure Draft is clear that an entity would be required to identify and disclose material information about all the sustainability-related risks and opportunities to which the entity is exposed,</u> including risks and opportunities which are not addressed by a specific IFRS Sustainability Disclosure Standard (noting that the requirement is for all the "significant" sustainability-related risks and opportunities). <u>However, we do not consider this to be the optimal approach.</u>

We note that [Draft] IFRS S1 has two functions:

1. To provide the overall framework for the general principles for sustainability reporting (e.g. descriptions of the core content, fair presentation, frequency and location of reporting, comparatives etc).
2. A requirement for disclosure of sustainability reporting where a specific standard has not yet been developed.

While Westpac broadly agrees with the requirements for the first function Westpac does not agree with the mandatory application of the second function. Paragraph 28 requires the inclusion of metrics from other sources identified in paragraph 54 which in turn requires the consideration of:

> *"The metrics associated with the disclosure topics included in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and the metrics used by entities in the same industries or geographies."*

We note that the parallels between this and the requirement in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (AASB 108) that in the absence of an Australian Accounting Standard that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy and in making that judgement shall refer to the requirements in Australian Accounting Standards dealing with similar and related issues.

However, there is a distinguishing factor in that the accounting standards are well established and are relatively stable. This is not the case for sustainability disclosure requirements and the methodologies on which they are based which in many instances are nascent and still evolving.

The requirements in paragraph 54 are extensive and may involve significant investment in order to report all of these metrics which may not ultimately align with subsequently issued IFRS Sustainability Disclosure Standards issued on the relevant disclosure topics.

We propose that until a specific IFRS Sustainability Disclosure Standard is released regarding a specific disclosure topic that these disclosures are not mandatory but that a reporting entity is permitted to disclose them if they elect to do so.

b) Westpac does not agree that the proposed requirements set out in the Exposure Draft meet its proposed objective. We note our overriding comments in the cover letter and above in relation to the overall approach of the proposed standards as follows:

The standard is focused on the financial impact of sustainability-related risks and opportunities and in this context the focus on enterprise value is appropriate as is defining the stakeholder as the primary used of general purpose financial reports (i.e. primarily investors, creditors and lenders).

We note however that existing sustainability reporting frameworks in many instances go beyond this narrower scope and include the other stakeholders with an interest in sustainability reporting including customers and other interest groups. We also note that the exposure drafts recently released by EFRAG have this broader stakeholder view.

If the ISSB is to limit the scope of these standards to enterprise value, then consideration needs to be given to the appropriate global baseline for reporting to other interest groups. Having separate requirements for different stakeholder groups may lead to duplication of reporting and/or separate reports for different stakeholders impacting integrated reporting.

We are also of the view that additional guidance is required on the definition of materiality. It is not clear from the current wording in the standard if the materiality meant by the ISSB is the “financial impact” materiality as defined by EFRAG or their concept of double materiality, or some other definition. Please also refer to our response to IFRS S1 – question 8.

We would encourage global harmonisation wherever possible considering both the EFRAG exposure drafts and the Proposed SEC Rules.

In addition, the exposure draft mandates specific disclosures including metrics regarding climate opportunities. While the TCFD currently requires disclosure regarding opportunities, these disclosures are generally high level rather than specific and metric based. Our concern with this is potentially falling foul of competition law and/or disclosure of commercially sensitive information. The Proposed SEC Rules note that while the disclosure of climate-related risks would be mandatory, the SEC would not mandate but rather include an option to disclose climate-related opportunities for this reason. Westpac encourages harmonisation on this point.

c) Westpac agrees it is clear how the proposed requirements in the Exposure Draft would be applied when there are other specific IFRS Sustainability Disclosure Standards such as the [draft] IFRS 2 Climate-related disclosures.

d) Westpac does not agree that requirements proposed will provide suitable basis for auditors and regulators to determine whether an entity has complied. There will need to be a significant uplift in capabilities and capacity associated with assurance over these disclosures. This will take time and a phased in approach similar to that proposed by the SEC for their proposed climate disclosures should be considered, whereby:

- The first year of disclosure requires no assurance.
- The second year of disclosure requires limited assurance; and
- The third and subsequent years of disclosure require reasonable assurance.

Clear assurance requirements should be considered in line with evolving methodologies for scenario analysis, financed emissions and facilitated emissions, as discussed in our responses to IFRS S2 -

question 9 and 11. Furthermore, consideration should be given to the level of assurance required, particularly for triggering reasonable assurance compared to limited assurance. Limited assurance should be considered for areas with significant judgement in terms of methodologies, data inputs and assumptions, such as scenario analysis, facilitated or financed emissions.

Question 2—Objective (paragraphs 1–7)
(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not? (b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

a) <u>Westpac does not agree that the objective is clear</u>. We refer to our overall observations in our cover letter and the response to IFRS S1 – question 1.

b) <u>Westpac is of the view that the definition is not clear.</u> While "sustainability-related financial information" is defined, "sustainability" is not. The standard should be clarified to define or provide reference to guidance on the definition of sustainability for consistent interpretation.

Question 3—Scope (paragraphs 8–10)
Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

<u>Westpac is not aware of anything that would prevent the proposals in the exposure draft being used in accordance with any jurisdictions' GAAP.</u>

Question 4—Core content (paragraphs 11–35)
(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not? (b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

a) <u>Westpac agrees that the disclosure objectives are clear and appropriately defined.</u>

b) <u>Westpac considers the disclosure requirements are appropriate to their stated disclosure objective.</u> Westpac also supports alignment with the existing TCFD structure. However, greater clarity on what is determined as "significant" sustainability-related risks and opportunities is required to enhance comparability in application by different entities and to avoid voluminous and non-relevant disclosure.

Question 5—Reporting entity (paragraphs 37–41)
(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why? (b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

a) Westpac agrees that the sustainability-related financial information should be provided for the same reporting entity as the related financial statements. However, to meet regulatory requirements in some jurisdictions, entities may choose to report both consolidated and parent entity financial statements together in the same annual general-purpose financial report. In these circumstances, where sustainability-related financial information is presented in the financial statements, we propose that the standard is clarified to only require the information to be disclosed for the Consolidated entity. This aligns with current practice in disclosing sustainability-related financial information for the Group only elsewhere in the general purpose financial report and other accompanying reporting documents. This is also consistent with other current financial statements disclosure requirements (e.g., segment reporting and with the disclosure requirements Westpac complies with for US SEC reporting as a foreign private issuer).

b) Westpac is of the view that the requirements require further clarification and common methodologies and accounting formats should be utilised for consistent application. The principles to determine short, medium, or long-term periods need to be clarified to ensure consistent application and comparability.

c) Westpac agrees with the proposal to disclose the financial statements to which the sustainability-related financial disclosures relate. This allows for transparency and facilitates connectivity between the information presented.

Question 6—Connected information (paragraphs 42–44)
(a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not? (b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

a) The requirement is clear regarding the need for connectivity between the sustainability-related disclosures. Westpac supports this requirement, where it is relevant, which allows a user to understand the inter-relationship and impact of various sustainability related matters on the reporting entity. However, as noted in our response to question 1, we have concerns regarding the granularity of the mandatory disclosure of sustainability-related opportunities.

b) Westpac does not agree, we propose that the reporting of opportunities should be optional, whilst disclosure of risks remain mandatory in general purpose financial reporting. We recommend the proposals are amended to align to the current requirements under the TCFD. This alignment allows for the reporting of opportunities without the requirement to link this qualitative discussion to the expected impact to future cash flows and other financial data.

Question 7—Fair presentation (paragraphs 45–55)
(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not? (b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

a) Noting our concerns regarding the requirements related to reporting of opportunities, Westpac agrees that the proposal to present fairly the sustainability-related risks and opportunities is clear. Being based on the already established principles of fair presentation in the accounting standards (specifically AASB 101 Presentation of Financial Statements), the principles are consistent and well understood.

b) Westpac does not consider it is appropriate that the standard defer to these other frameworks for identifying relevant disclosure topics. While it is useful to refer to other reporting frameworks and peer practice, we note that there may be divergent methodologies across different frameworks which may impede the consistency and comparability of the disclosures.

Question 8—Materiality (paragraphs 56–62)
(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not? (b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not? (c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why? (d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

a) Westpac is of the view that that the definition and application of materiality is not clear in the context of sustainability-related financial information. In particular, the scope of what is to be considered when assessing materiality is not clear (refer to the response to question 8(b) below).

b) Westpac is of the view that it is not clear whether the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities. In particular, the proposal in the exposure draft is to material information relating to significant sustainability-related risks and opportunities in the context of the impact to enterprise value. However, other frameworks such as the exposure drafts released by EFRAG, include a concept of "double materiality". We also note that guidance from the (previous) frameworks – CDSB, GRI, IR, SASB, CDP also suggests implementing a double materiality process that considers both financial materiality and impact materiality:

- Financial materiality – an assessment of sustainability topics that create or erode enterprise value. These topics should be prioritised in an integrated report as they are relevant for providers of financial capital with a specific interest in understanding enterprise value. The IIRC, SASB, and TCFD frameworks are the most informative when considering financial materiality.

- Impact materiality – an assessment of sustainability topics that reflect significant positive or negative impacts on people, the environment, and the economy. Where these topics are also material from a financial materiality perspective, they are prioritised in the integrated report. The GRI and PRB frameworks are most relevant when considering impact materiality.

It is not clear from the current wording in the standard if the materiality meant by the ISSB is the "financial impact" materiality as defined by EFRAG or their concept of double materiality, or some other definition. Without further clarification it is likely that there will be divergent interpretations which will impact consistency and comparability.

In particular, we note that impact materiality is likely to result in financial materiality at some point by virtue of its positive or negative impact on an entities reputation and therefore its customer base and investor appetite. Guidance is required to determine how this is to be taken into account when assessing materiality in financial terms. In some instances, the financial impact may not be quantifiable. Illustrative examples should also be considered.

c) Westpac considers that there is insufficient clarity regarding the definition of materiality and the scope of what is to be considered when assessing materiality and therefore additional guidance should be provided including specific illustrative examples, particularly regarding translating impact materiality to financial reporting as noted in the response to question 8 b) above.

d) Westpac agrees with the proposal to allow relief from disclosure where local laws or regulations would prohibit disclosure and support the requirement to identify the disclosure not included and the restriction for not disclosing as this provides transparency to the user.

Question 9—Frequency of reporting (paragraphs 66–71)
The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

Westpac agrees that the sustainability-related information should be provided at the same time as the related financial statements. This allows for connectivity of the information provided and acknowledges the inter-relationship between the sustainability-related financial information and its possible impact on the financial statements.

It is noted that the standard does not mandate interim disclosure of sustainability-related information and notes in the comments provided in paragraph 70 that in the interests of timeliness and cost effectiveness that an entity would usually provide less information in interim reports than in their annual reports. Westpac agrees that interim sustainability-related financial disclosures should be limited to updates which focus on material new information, events and circumstances and do not duplicate previously reported information and note this is consistent with the principles in accounting standard framework in AASB 134 Interim Financial Reporting.

Question 10—Location of information (paragraphs 72–78)
(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not? (b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location? (c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why or why not? (d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

a) Westpac agrees with the proposal and specifically that the requirements are not prescriptive as to where the information should be presented. Westpac agrees this allows an entity to communicate this information in the most effective manner and if the information is material to the financial statements, the information will be required to be disclosed in the financial statements by the application of the current accounting standard requirements.

b) Westpac has not identified any jurisdiction-specific requirements that hinder these proposed disclosure requirements in the exposure draft.

c) Westpac supports the proposals in the exposure draft which seek to reduce the possibility of unnecessary duplication. This includes both the ability to include information by way of cross-reference (subject to the appropriate and transparent disclosure of where the information can be located) as well as the requirement for integrated disclosures for common items of information.

d) Westpac considers that the requirement is clear.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)
(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed? (b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives? (c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

a) Westpac agrees the general features have been adapted appropriately into the proposals.

b) Westpac supports the ability to restate comparatives to appropriately reflect a reporting entities trend in the sustainability-related financial information. This is particularly important in the earlier years of application as methodologies and data quality and availability continues to evolve. We note however that it is likely to see restatements on an annual basis in these earlier years of application. We expect that as the maturity of disclosing sustainability-related information evolves there will be less of a need for entities to revise estimates.

However, further clarification is required in the standard as to the application of these requirements in circumstances where the sustainability-related financial information is presented in the financial statements. As the financial statements are prepared in accordance with accounting standards there would be a conflict in terms of the requirement or prohibition to restate from a change in estimate. To make the statement of compliance both with the accounting standards and with the sustainability disclosure standards this needs to be addressed.

We also note that there may be limitations on the ability to restate comparatives as reflected in the proposed exposure draft in paragraph 65. Therefore, we support the draft wording requiring entities to disclose where it has been impracticable to restate.

c) Westpac agrees that, to the extent possible, the assumptions used within the sustainability-related financial information should be consistent with equivalent assumptions made for the corresponding financial data in the reporting entities financial statements. This is necessary, to the extent possible, to provide the connectivity of information between the sustainability-related matter and its impact on the financial statements.

Question 12—Statement of compliance (paragraphs 91-92)
The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity

would be required to include an explicit and unqualified statement that it has complied with all of these requirements. The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards. Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

<u>Westpac agrees with the proposal to require a statement of compliance as it provides transparency to the users of the general-purpose financial reports</u>. We note the consistency with the equivalent requirement in the statement of compliance with the accounting standards in AASB 101 Presentation of Financial Statements (paragraph 16).

However, we also note the concerns raised regarding forward looking statements. Local regulators in each jurisdiction will need to consider the local legal and regulatory context and possible legal issues to ensure that reporting entities can make the forward-looking statements required by the ISSB standards. It is important that the risk of litigation or regulatory challenge does not undermine reporting entities' best endeavours to implement the ISSB standards in good faith and the balance between this and appropriate accountability for disclosures made will need to be considered.

Question 13—Effective date (Appendix B)
(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others. (b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

a) Westpac is of the view that the appropriate effective date for the standard is dependent on several factors not limited to:
   - The maturity of the reporting entities current sustainability reporting and therefore the incremental change required when adopting these sustainability reporting standards.
   - The external availability of data.
   - The internal ability for data capture and system enhancements and the control framework; and
   - Ongoing development of methodologies for the measurement of some of the disclosure requirements (for example [Draft] IFRS S2 requirements for scope 3 emissions, for facilitated emissions).

   The Proposed SEC Rules include a phased in approach based on these factors with reporting of the required disclosures at a later effective date for smaller organisations with perhaps less developed sustainability reporting, ability for data capture, systems and relevant internal control frameworks and an additional phased in approach for scope 3 emissions reporting.

   The EFRAG has also recently released exposure drafts related to several sustainability-related disclosures and have also noted the challenges for new and existing preparers and seek feedback on their consideration of using a prioritisation / phasing-in to assist with the implementation of the standards.

   <u>Westpac supports a phased in approach based both on the size of the organisation and the maturity of the methodologies used in measuring the required metrics.</u>

   <u>Westpac proposes an approach that would see the governance, strategy and risk management requirements of [Draft] IFRS S1 adopted for financial years beginning on or after 1 year post release of the final standard.</u>

Metrics encompasses three areas which may require difference effective dates based on the availability of data and the maturity of generally accepted methodologies as follows:

1. Metrics defined in other IFRS Sustainability Disclosure Standards which would only become effective only once the relevant standard becomes effective.
2. Metrics identified from other sources (those noted in paragraph 54). We note our comments regarding this in our response to [Draft] IFRS S1 – question 1a) and 7 above. Irrespective, it is likely that in some instances the availability of data, the internal ability for data capture, as well as system enhancements and evolving methodologies would impact on the ability to report metrics which were robust and verifiable. Therefore, we would propose an effective date of financial years beginning on or after 3 years post release of the final standard.
3. Entity-specific metrics. While these metrics may already be reported internally, there is likely to be further work required to ensure the verifiability of the data and the internal control framework to enable external reporting of these metrics. As a result, we propose an effective date of for financial years beginning on or after 1 year post release of the final standard.

We note that there may be a requirement to provide a further year in addition to these timeframes for smaller reporting entities to reflect the larger incremental change from their existing sustainability reporting.

Westpac would support an option for entities to early adopt where appropriate.

b) Westpac agrees with the ISSB providing the proposed relief from disclosing comparatives in the first year of application.

Question 14—Global baseline
IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Westpac considers that there are aspects which would limit the standards to be used in this manner. The exposure draft is a starting point for disclosures but as it does not address the broader stakeholder groups of some of the existing sustainability reporting frameworks and those considered in the exposure drafts published by EFRAG we are of the view that it does not represent a global baseline.

Without a clear approach to how to meet the additional needs of these additional stakeholders and clarity on the application of double materiality, the Standards will be limited to serving its purpose of meeting the needs of primary users of financial reporting.

The requirements of broader stakeholder groups may or may not be met by regulations and jurisdictions, and these may not be standardised or applied with consistent criteria, therefore global Standards that do not support broader stakeholder groups will not necessarily be able to be used as baseline.

Question 15—Digital reporting
Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

Westpac is not aware of any specific issues relating to the proposals in the exposure draft that would impact on the ability to tag the disclosures digitally should digital tagging be required.

Question 16—Costs, benefits and likely effects
(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals? (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

a) Westpac supports the development of globally consistent sustainability reporting to enhance consistency and transparency and note the exposure draft provides a starting point for this.

b) Westpac notes that there is likely to be a significant investment required in data capture, systems enhancements, and internal control frameworks, particularly areas where methodologies are nascent to meet the requirements of the standard. The ISSB should consider this in developing an appropriate implementation plan that considers a phased in approach.

Question 17—Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

Westpac does not have any comments that are not already addressed elsewhere in our response.

IFRS S2 Climate-related Disclosures

Question 1—Objective of the Exposure Draft
(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not? (b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value? (c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

a) Westpac agrees with the proposed objective.

b) Westpac agrees the objective focuses on the information that would enable users of general-purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise values. Westpac agrees the disclosure requirements set out in the Exposure Draft meet these objectives. However, we note our overriding comments in the cover letter above in relation to the overall approach of the proposed standards as discussed in our response to [Draft] IFRS S1 – question 1.

Question 2—Governance
Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Westpac agrees with the proposed disclosure requirements which are based on the TCFD recommendations.

Question 3—Identification of climate-related risks and opportunities
(a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not? (b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

a) Westpac does not believe that the requirements are sufficiently clear. Whilst we are broadly supportive of the requirement to identify and disclose climate-related risks and opportunities, we note our overriding comments regarding global harmonisation, the definition of materiality and our comments regarding potentially falling foul of competition law and/or disclosure of commercially sensitive information (refer to our overriding observations and our response to [Draft] IFRS S1 – question 1b)). Specifically in relation to climate-related opportunities, further guidance should be given in terms of the level of detail required in the disclosure of opportunities. The scope of these opportunities should be related to identified risk management and mitigation rather than information on market activities. This would contain and manage these concerns, whilst providing investors with information on risk management.

b) Westpac agrees with proposed requirements to consider the applicability of disclosure topics as defined in the industry requirements in the identification and description of climate-related risks and opportunities, but stress the importance of global harmonisation (e.g. with EFRAG and the SEC).

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain
(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not? (b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

a) Westpac agrees with the proposed disclosure requirements. However, clear principles must be determined in defining the timings for short, medium, and long term. Westpac does not agree with a requirement that a reporting entity disclose its strategy in respect of its business model and strategic responses to climate risk due to issues regarding potentially falling foul of competition law and/or disclosure of commercially sensitive information.

b) Westpac agrees with disclosure requirements, however we note our overriding comments regarding the disclosure of climate-related opportunities (also refer to our response to paragraph a) above).

Question 5—Transition plans and carbon offsets
(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not? (b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary. (c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why? (d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

a) Westpac agrees with the proposed disclosure requirements for transition plans.

b) Westpac considers that to achieve consistency and comparability, transition plans should be tied to net zero scenarios under a 1.5 degree Celsius or less scenario in line with global industry standards. An example of such a standard is the Net Zero Banking Alliance (NZBA). This is industry specific due to the ability of and need for different industries to decarbonise along different pathways.

c) Westpac supports greater transparency of the impact of carbon offsets on an entity's approach to reducing emissions. However, there is a significant assumption that stakeholders and the audience of these reports will have prior knowledge of carbon credit accreditation to assess their quality. Considering the quality concerns within carbon credits and their true offsetting capacity, we consider that there should there be an expectation to build in greater frameworks and quality assessments as they develop into the future.

d) While there is a requirement to disclose where offsets have been subject to a verification scheme, Westpac's view is additional consideration should be given to the requirement for verification of these offsets, considering the lack of transparency throughout the global carbon market.

Question 6—Current and anticipated effects
(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not? (b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why? (c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

a) Westpac agrees quantitative information should be used for disclosing the anticipated effects of climate-related risks but not for climate-related opportunities. Qualitative information may be provided associated with climate-related opportunities due to the issues noted above regarding potentially falling foul of competition law and/or disclosure of commercially sensitive information.

b) Westpac agrees with the proposed disclosure requirements. Clear, uniform methodologies must be referenced to ensure the consistent measurement of risk. These climate risks are based on potential scenarios rather than known outcomes. Therefore, whilst they can be quantified, this is a scenario-based forecast. Without consistent and common use of data sets according to specific scenarios, comparability is impacted.

In addition, clear boundaries must be set within the disclosures of anticipated effects of climate related opportunities. To what degree will we need to disclose these opportunities, and if quantitative, do they adequately take into account competition law considerations or issues with the disclosure of commercially sensitive information? See also our comments at paragraph a) above.

c) <u>Westpac does not agree with the proposed mandatory requirement for the anticipated effects of climate-related opportunities</u>. See also our comments at paragraph (a) above.

Question 7—Climate resilience
(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why? (b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy. (i) Do you agree with this proposal? Why or why not? (ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not? (iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14€ and if so, why? (c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not? (d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not? (e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

a) <u>Whilst Westpac agrees that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy, the standard does not define a common climate scenario analysis methodology.</u> This is important as these analyses cover a very broad area that can involve analysis of different climate risks (e.g., physical, transition) to different horizons (for example, we have seen a 30-year horizon in a regulatory climate vulnerability assessment but less for some physical risk research pieces). With different underlying climate scenarios (e.g. models set to different warming pathways) comparability between each reporting entity's analysis is lost. Furthermore, it is important to note that defining required variables is difficult due to the variance of an entity's maturity and capability.

b)

i) <u>Westpac agrees with the proposal that if an entity is unable to perform climate related scenario analysis it may use alternative methods, but this should be an interim step in improving disclosures. Our view is that once methodologies for scenario analysis are</u>

sufficiently developed, it would be expected that all reporting entities would perform scenario analysis (see the response to part d) below).

ii) Westpac agrees with the proposal that an entity that is unable to use climate related scenario analysis should disclose the reasons.

iii) Westpac considers that prior to imposing mandatory application, clear accessible and practical methodologies and common data sets must be developed for consistency and comparability.

c) Westpac agrees with the proposed disclosure on climate related scenario analysis. However, we are of the view that the ISSB should provide a phased in approach aligned with the development of industry standards to allow for clear comparisons using common methodologies. We support the disclosure of reasons for not using climate scenario analysis and also a timeframe in which the reporting entity expects to uplift capabilities in scenario analysis.

d) Westpac does not agree with the continuity of the use of alternative techniques. Following on from the response in b) and c), once methodologies are sufficiently developed, the use and disclosure of climate-related scenario analysis should be required in order to enhance comparability.

e) Westpac is of the view that the proposed disclosure requirements need to consider the long-term data uplift capacity required for this, in line with available methodologies. Without this understanding, costs cannot be quantified including the associated cost of assurance requirements.

Question 8—Risk management
Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

Westpac agrees with the requirement to disclose the reporting entities' risk management framework for climate-related risks and opportunities, but we note our concerns regarding the requirements for detailed information in relation to climate related opportunities regarding potentially falling foul of competition law and/or disclosure of commercially sensitive information and we recommend these disclosures are optional.

Question 9—Cross-industry metric categories and greenhouse gas emissions
(a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why? (b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting. (c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not? (d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO_2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH_4) separately from nitrous oxide (NO_2))? (e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

(i) the consolidated entity; and (ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not? (f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

a) <u>Westpac agrees with the seven proposed cross-industry metric categories.</u>

b) <u>Westpac does not propose any further cross-industry categories.</u>

c) <u>Westpac agrees that entities should be required to use the GHG Protocol.</u> It is appropriate for the definition and measurement of Scope 1, Scope 2 and Scope 3 emissions as it provides the ability to directly compare GHG emissions with uniform methodology. However, definition of Scope 3 requirements must be considered in conjunction with the available methodologies (e.g. financed and facilitated emissions) which should be considered in determining the effective mandatory effective date. Refer to our response on [Draft] IFRS S2 – question 14.

d) <u>Westpac agrees with the initial aggregation of all seven greenhouse gases across all scopes.</u> However, improvements in methane monitoring, in particular, suggest that over time a breakdown of emissions should be considered as stakeholders become more familiar with climate metrics and accounting for other greenhouse gases becomes more accurate. We also note that the Proposed SEC Rules will mandate the disaggregation by constituent gas.

e) <u>Westpac agrees with the proposal to require separate disclosure for Scope 1 and Scope 2,</u> for both the (i) consolidated entity and for (ii) any associates, joint ventures, unconsolidated subsidiaries, and affiliates. However, we note that the concerns we have expressed regarding the lack of methodologies for financed and facilities emissions would equally apply to the determination of emissions for associates, joint ventures, unconsolidated subsidiaries and affiliates where the reporting entity does not necessarily have timely access to their emissions data.

f) <u>Westpac agrees with the inclusion of absolute gross Scope 3 emissions.</u> However, with reference to our responses concerning financed and facilitated emissions in question 9c), we propose a phased in approach once these methodologies have evolved to allow for clear comparability. Financed emissions methodologies are more developed than compared to facilitated, however, common methodologies must be employed and data uplift requirements must be considered. Refer to our response on [Draft] IFRS S2 – question 14.

Question 10—Targets
(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not? (b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

a) <u>Westpac agrees with the proposed disclosure about climate related targets.</u>

b) <u>Westpac agrees that the proposed definition is sufficiently clear.</u>

Question 11—Industry-based requirements
(a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

(b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?

(c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

(d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?

(e) Do you agree with the industries classified as ‘carbon-related’ in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

(f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

(g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

(h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials (PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don’t agree, what methodology would you suggest and why?

(i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

(j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

(k) Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

(l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

a) Westpac agrees with proposed approach in developing the industry-based requirements and with the proposed amendments to the SASB Standards.

b) Westpac agrees with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements.

c) Westpac agrees that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods.

d) Westpac is of the view that that it is currently impracticable to require financed and facilitated emission disclosure requirements considering the lack of a set methodology for both. While the methodology for financed emission is more advanced than facilitated emissions, there are also issues around data availability and capture. As a result, we suggest a phased in approach should be considered. This would allow reporting entities to meet other required disclosures without significant exploratory investment into data capabilities required for facilitated and financed emissions where the methodologies nascent and still evolving.

e) Westpac agrees with the industries classified as ‘carbon-related’ in the proposals for commercial banks, and insurance entities.

f) Westpac agrees with the proposal to include both absolute and intensity based financed emissions and that the methodology used is disclosed. Until better data acquisition methods occur, it is important to allow for various disclosure types, with clear timeframe limits and a phased in approach.

g) Westpac is of the view that that the standard should align with a common methodology to be used to determine financed emissions using a phased in approach. This will allow for clear comparisons between entities.

h) Westpac has no further commentary for the remaining questions.

Question 12—Costs, benefits and likely effects
(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals? (b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider? (c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

a) Westpac supports the development of globally consistent sustainability reporting to enhance consistency and transparency and notes the exposure draft provides a starting point for this.

b) Westpac notes that there is likely to be a significant investment required in data capture, systems enhancements, and internal control frameworks, particularly areas where methodologies are nascent to meet the requirements of the standard. The ISSB should consider this in developing an appropriate implementation plan that considers a phased in approach.

c) Westpac is of the view that the costs may outweigh the benefits relating to disclosure requirements that are still evolving such as the facilitated and financed emissions as noted in our responses to questions 9 and 11 unless a phased in approach to implementation is used.

Question 13—Verifiability and enforceability
Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

Westpac is of the view that there are significant challenges to verify or to enforce the proposed disclosure requirements for auditors and regulators. Please refer to our response to IFRS S1 - question 1d).

Question 14—Effective date
(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?

(b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

a) The effective date of [Draft] IFRS S2 in its current form should be later than that of [Draft] IFRS S1 given our responses to questions 7, 9 and 11 above regarding the immature methodologies relating to some of the proposed requirements. Alternatively, we propose a phased in implementation approach as discussed in our response to part b) and c) below.

b) and c)

As noted in our response to [Draft] IFRS S1, the appropriate effective date for the standard is dependent on several factors not limited to:

- The maturity of the reporting entities current sustainability reporting and therefore the incrementation change required when adopting these sustainability reporting standards;
- The external availability of data;
- The internal ability for data capture and system enhancements and the control framework; and
- Ongoing development of methodologies for the measurement of some of the disclosure requirements (for example [Draft] IFRS S2 requirements for scope 3 emissions including financed and facilitated emissions respectively).

The Proposed SEC Rules include a phased in approach based on these factors with reporting of the required disclosures at a later effective date for smaller organisations with perhaps less developed sustainability reporting, ability for data capture, systems and relevant internal control frameworks and an additional phased in approach for Scope 3 emissions reporting.

The EFRAG has also recently released exposure drafts related to several sustainability-related disclosures as well as noting the challenges for new and existing preparers and seek feedback on their consideration of using a prioritisation / phasing-in to assist with the implementation of the standards.

Westpac supports a phased in approach based both on the size of the organisation and the maturity of the methodologies used in measuring the required metrics

Westpac proposes an approach that would see the governance, risk management requirements and certain strategy and metrics and targets requirements of [Draft] IFRS S2 adopted for financial years beginning on or after 1 year post release of the final standard.

We propose additional time is required for the effective date for the following specific areas:

- Strategy – Climate resilience (scenario analysis). The maturity and capability of scenario analysis is still evolving in terms of the types of risks assessed, the relevant time horizons used and the different scenarios modelled (e.g. different warming pathways). Given this, it is difficult to identify a proposed timeframe at this stage, but delayed implementation and a phased in approach should be considered.

- Cross-industry metrics – Facilitated and financed emissions. While there are generally accepted methodologies for the calculation of financed emissions, the availability and robustness of the data is still evolving, particularly for facilitated emissions if they are to be captured by this. We would propose that facilitated and financed emissions be excluded initially for an earlier effective date. We would propose financed and facilitated emissions disclosures for financial years beginning on or after 3 years post release of the final standard.

- Industry-based metrics – Facilitated emissions. The basis of conclusions for [Draft] IFRS S2 (paragraph BC151-157) notes that there is not a generally accepted methodology for the calculation of facilitated emissions. This, coupled with the availability and robustness of the data, suggests that the requirement to disclose these emissions should lag the requirements for Scope 3 emissions (including financed emissions). Given the nascent nature of this, it is difficult to determine a basis to propose an appropriate timeframe.

We note that there may be a requirement to provide a further year in addition to these timeframes for smaller reporting entities to reflect the larger incremental change from their existing sustainability reporting.

Westpac would support an option for entities to early adopt where appropriate.

Question 15—Digital reporting
Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

Westpac is not aware of any specific issues relating to the proposals in the exposure draft that would impact on the ability to tag the disclosures digitally should digital tagging be required.

Question 16—Global baseline
IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Refer to our response to IFRS S1 – question 14.

Question 17—Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

Westpac does not have any comments not already addressed elsewhere in our response.

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WOODSIDE RESPONSE TO ISSB CONSULTATION

Woodside welcomes the ISSB consultation process and the intent to produce globally applicable sustainability reporting standards. We believe that, if properly implemented, there is the potential that both reporters and users of reports will benefit from harmonisation of standards and a common understanding of the key concepts, terms and the purposes for which disclosures can be relied upon.

In addition to this response, as a member company of the International Petroleum Industry Environmental Conservation Association (IPIECA) we also draw your attention to their submission.

We would like to raise the following feedback on the draft standards for consideration.

Time to develop the standards. We note that the draft standards will apply across a diverse range of industries and cover complex and material data sets and information. Given this, we believe necessary time should be given to ensure an appropriate level of consolidation and alignment between existing and proposed relevant international and domestic reporting standards.

Time to implement the standards. It is important that following the finalisation of the standards, a reasonable implementation period of at least three years is provided. This timing will allow for the relevant planning, approvals and release of additional expenditure required to address the reporting requirements. This will also allow reporters the time to establish the necessary “basis of preparation” for the gathering of data. This timing should also consider relevant phasing of assurance requirements, in particular the capacity of the assurance / audit industry to respond. We also suggest that the ISSB consider the establishment of a mandatory review of the standards, following an initial three-to-five-year period, to ensure they are generating the intended outcomes.

Accurate description of data. Due consideration should also be given to data sets that are difficult to assure, audit and evidence (for example the measurement of Scope 3 emissions data in the instance where we sell an oil shipment to a trader and do not have line of sight to the end use), noting such information may be calculated from assumptions rather than directly measured. The nature of these disclosures should be made clear to users so they can calibrate their use of the data accordingly and are able to give appropriate weighting to certain data points. Consideration should be given to establishing an appropriate level of flexibility regarding the provision of information / data (e.g., estimates or averages may be utilised where data sets are not available).

Consolidation of multiple standards and frameworks. We note that entities subject to the new standards may also remain subject to separate / unchanged reporting requirements in various international jurisdictions. Also, they may voluntarily report in accordance with existing sustainability related frameworks. We further note that Environmental, Social and Governance (ESG) rating indices continue to look to broader sustainability reporting frameworks (GRI, SASB, TCFD etc.) for assessment of entities, this should also be considered in the application of the new standards.

For example, Woodside's 2021 Sustainable Development Report was prepared in accordance with the Global Reporting Initiative (GRI) Standards core option and with reference to the IPIECA, American Petroleum Institute (API) and International Association of Oil and Gas Producers (IOGP) (4th edition 2020) Sustainability Reporting Guidance for the oil and gas industry. Woodside's 2021 Climate Report was structured to align with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations framework and provide a balance of disclosures that reasonably meet the recommendations of the TCFD while avoiding overwhelming users with information. The 2021 Climate Report was also prepared with reference to selected relevant metrics from the Sustainable Accounting Standards Board (SASB) Oil and Gas Exploration and Production Standard. Woodside is a supporter of the TCFD.

We welcome the alignment of the proposed standards with TCFD and recommend a continued focus in this regard as the standards progress. We note however that the list of defined terms in the proposed standards is more limited than in the *Climate Related Disclosures Prototype. Appendix A.* published by the IFRS in November 2021. Whilst there may be a range of views, we believe that the definitions provided in the Prototype were useful.

In summary, we would like to reinforce that further consolidation work is required from a holistic perspective with regards to TCFD and SASB, as well as the consideration of broader sustainability frameworks including GRI, CDSB, VRF and other voluntary standards. The benefits of the ISSB's proposed standards will be eroded if reporters continue to be required (voluntarily or otherwise) to report to multiple standards.

We remain available to discuss our response and encourage the ongoing consultation process required to finalise the standards.

Yours faithfully

Graham Tiver
Executive Vice President / Chief Financial Officer

Tony Cudmore
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- Australian Accounting Standards Board.