15 July 2022

Australian Accounting Standards Board

Level 20, 500 Collins Street
Melbourne, VIC 3000
Australia

Via email: standards@aasb.gov.au

Dear review 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 (more than mining and manufacturing combined) and generates $72 billion in tax revenues. Property Council members invest in, design, build and manage places that matter to Australians across all major built environment 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 a demonstrated commitment to ESG, topping indices like the Global Real Estate Sustainability Benchmark and the Dow Jones Sustainability Index for eleven consecutive years. Most of our leading members have net zero goals by 2030 or before, with several having reached it already. Our members have a long-term stake in helping our capital and regional cities thrive and want to see 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 and the establishment of world first industry-wide online supplier platforms to tackle modern slavery and measure social impact in property operations and supply chains.

General comment

In principle, the Property Council and GBCA 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 away from the important actions that need to be taken to meet ESG commitments.

We note there are challenges in establishing a global baseline and offer 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 AASB's and ISSB's targeted questions at **Attachment A** for your referral.

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

1- **The need for further consultation prior to local implementation.** While we are supportive of the objectives laid out in the [Draft] IFRS S1 and S2 standards, further consultation is needed prior to their implementation in Australia.

   Areas for further discussion will include the approach to adopting the standards, the coverage of captured entities, transition phases and governance arrangements.

   a. *Adopting the standards* – Australia supports moving towards a single set of high-quality global accounting standards delivered through IFRS. This does not currently apply to sustainability related standards. Further consultation will be required to assess the regulatory impact of adopting the ISSB standards and consider the legislative framework that would enable them.

   b. *Coverage* – Some small and medium enterprises may have concerns regarding the costs of fully complying with AASB Standards as they may not have the resources or expertise to respond effectively. Consideration should be given to a staged approach or carve-outs from any potential mandatory reporting requirements. Additionally, while it is not directly in the remit of the AASB, we encourage it to engage with the regulators to ensure that the reporting is not restricted to publicly traded entities alone. Failure to do this will narrow the application of the standards and reduce their effectiveness in disclosing ESG credentials to investors.

   c. *Transition phase* – 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. During this transition phase the AASB should also commit to an education and awareness program including guidance material and training for reporting entities and assurance service providers.

   d. *Governing body* – Initial feedback from the AASB appears to indicate that the [Draft] IFRS S1 and S2 standards as well as any future ISSB standards will be implemented through existing frameworks. The Property Council suggests establishing a new body to mirror the ISSB arrangement. This body should be equipped with adequate resourcing and subject matter expertise to administer sustainability-related accounting standards.

2- **Managing legal risks of disclosures and market sensitive information.** The anticipated effects of current and committed investment plans on a reporting entity's financial position should be made in line with current requirements, not sooner (e.g. major acquisitions, joint ventures, new business areas and asset retirement). 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.

3- **Risks associated with uncertain disclosures**. In the domestic implementation of the ISSB standards, the local legal context must be considered. We suggest clear guidance from domestic regulators, and if necessary regulatory support, may be needed to ensure that entities can make the forward-looking statements required by the ISSB standards. Noting this, it will be important that liability risks do not undermine comprehensive and good faith implementation of the ISSB standards and appropriate accountability for disclosure. We propose the implementation of "safe harbour" provisions to allow entities to disclose predictions with high levels of uncertainty while reducing the risk of litigation.

4- **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.

5- **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.

6- **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. 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 enormous 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.

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,

Davina Rooney

Ken Morrison	**Davina Rooney**
Chief Executive Property Council of Australia	Chief Executive Officer Green Building Council of Australia

AASB Exposure Draft – Australian specific questions

https://aasb.gov.au/admin/file/content105/c9/ACCED321-04-21.pdf

Question	Property Council and GBCA response
C1. 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 (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?	● As noted further in our response to Q2, we recommend a detailed consultation process to be undertaken by the Federal Government in relation to adoption of the ISSB in Australia, and this consultation should include the scope of entities that may be required to apply the standards. ● We agree that the focus on all for-profit entities is appropriate. These standards should apply to both regulated & unregulated and private & publicly-listed entities. ● Should the standards be made mandatory in Australia, consideration should be given to a staged approach or carve-outs for some small or medium sized enterprises (SMEs) that may not be prepared or have the capacity to report. ● Guidance will be required for stapled security structures (including those with international entities). We suggest they report on a consolidated position rather than for each entity at the top of the group on the basis that investors may only invest in them as one. This would mean that each of the individual entities (or sub-trusts) would not be required to produce a separate report. It would be helpful if the AASB and the ISSB could facilitate multilateral agreements that would mean that the local statutory filings of a member of the stapled group could comply using the global consolidated report. Similarly, this would have application for local subsidiaries of multinational companies reporting in Australia. If such stapled entities or foreign subsidiaries could be classed as "private" entities and captured within the required reporting group, this would enable clarity to the market. ● Guidance will also be required to clarify the relationship between a unit trust and the manager. The unit trust is a flow through entity with no employees and holding inert assets (property) so in its own right, it will not be able to influence outcomes. The manager (Responsible Entity), its Board

	and investors (depending on the governance) can influence the outcomes. Therefore, the report should enable their producer to determine the basis of reporting to suit their circumstances. Practice notes to describe the various acceptable forms would help make this clear and avoid the potential for double-counting.
Q2. 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?	● If the standards are to become mandatory in Australia, legislative changes will be required to mandate their implementation. ● We recommend a detailed consultation process to be undertaken by the Federal Government that would consider all the regulatory changes required (e.g. Corporations Act), lead time to ensure the market has the required capabilities, transitional arrangements that may be required for different entities (e.g. SMEs) as well as the appropriate governing body to be responsible for the Australian-equivalent of the ISSB standards (e.g. AASB). The implications for ASIC, ASX, APRA and ACCC should also be considered as part of this consultation. ● Required capabilities - if disclosure is mandated but does not form part of the Financial Statements, there is likely to be a gap in audit coverage that industry would need to address. Recommend alignment or phased implementation until such alignment exists. ● Governing body - Questions remain around who will be responsible for the implementation of ISSB – potential sister board model is required in the Australian context that mirrors the IASB / ISSB relationship. ● The AASB's existing structure is not well suited to implement sustainability standards – we urge the AASB to establish a separate body with relevant expertise and coverage of sectors (to mirror the IASB and the ISSB). ● We understand that, at this time, the Financial Reporting Council (FRC), the Auditing and Assurance Standards Board (AUASB), and the AASB (the Boards) are not planning to establish a new body that would specialise in developing sustainability reporting standards. We believe a key part of defining a long-term strategy would include consultation with stakeholders on the best structure.

	● The body responsible for providing Australian specific interpretation of the ISSB standards may take the form of a sub-committee under the AASB, or a sister body to AASB – mirroring the relationship between the International Accounting Standards Board (IASB) and ISSB. It is important that stakeholders contribute to a consultation on this matter. We acknowledge the Boards intend to recruit in-house technical expertise; however, consideration needs to be given to establish a specific body responsible for standards related to sustainability reporting. This body could include appropriate ESG specialists, as sustainability reporting differs from financial reporting, and sector specialists (such as real estate).
C3. 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? a) please explain the key differences that may arise from applying the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 and the impact of any such differences; and *b)* do you suggest any changes to the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2?	● We understand there is broad alignment of S2 with: ○ ASIC Regulatory Guide 247 ○ ASX Corporate governance principles and recommendations ○ ASX Continuous Disclosure ● S1 would be new to Australia. ● Clarification will be required for stapled entities (including those with international operations). Will reporting in aggregate be permissible? And if reporting is undertaken in aggregate and any one jurisdiction is found to meet the requirements of the ISSB standards, can this be applied to all aggregated jurisdictions? Can the flexibility to report in aggregate or on an equity basis be retained?
C6. When should the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 be made effective in Australia and why?	● We urge the AASB to conduct further consultation once the Draft Standards are finalised and prior to making them effective in Australia (see response to Q2). ● The Property Council and GBCA 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 AASB and other professional bodies with sufficient time to roll out necessary education and awareness programs, including guidance materials for reporting entities and assurance service providers.

	● The implementation date should relate to the commencement of the reporting period rather than the due date for reporting (noting a staged approach may be required for SMEs)
D1. 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.	● Yes, 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 given to this matter. ● We support sustainability related disclosures forming part of an entity's general purpose financial statements.
D2 Are the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 in the best interests of the Australian economy?	● Yes. To remain globally competitive as an investment destination, Australian corporate reporting will need to – at a minimum – meet the global baseline. ● It is important that it has wide coverage otherwise it will undermine effectiveness and may result in an inefficient allocation of resources.
B4. Are there any Australian-specific climate-related matters that the AASB should consider incorporating into the requirements proposed in Exposure Draft on [Draft] IFRS S2? For example, given the Exposure Draft on [Draft] IFRS S2 is the starting point for the AASB's work on climate-related financial disclosure, should there be additional reporting requirements for Australian entities? If so, what additional reporting requirements should be required and why?	● N/A

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[1]	
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? [2]	• 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 referring to 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.

[1] *C4. Would the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 result in useful information for primary users of general purpose financial reports?*

[2] *C5. Do the proposals in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 create any auditing or assurance challenges?*

Objective[3]	
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	● We support a standard that establishes a global baseline that aligns with any jurisdiction's GAAP.

[3] *A1. Exposure Draft on [Draft] IFRS S1 is proposing that entities be required to disclose information that is material and gives insight into an entity's sustainability-related risks and opportunities that affect enterprise value. Is focusing on an entity's enterprise value the most appropriate approach when considering sustainability-related financial reporting? If not, what approach do you suggest and why?*

GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?	
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?	● Yes, 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 ASX Listing rule 3.1 on Continuous Disclosure to avoid creating two points in time where disclosure is required. ● 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?	● Issue for Australian regulatory environment. ● 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) ● ASIC 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.
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. 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 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. (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. 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)?	• We support digital reporting enablement.

Costs, benefits and likely effects[4]	
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?	

[4] *C9. Unless already provided in response to specific matters for comment A1 to C8 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2?*

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 significant 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?	● The Property Council supports 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? c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an	● 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. For example, in the 0-2 year time horizon financial implications can be estimated using 'actual climate change impacts on current revenues',

entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?	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 techniques (for example, qualitative analysis, single-point forecasts,	● 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 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

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?	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 entities, subject to materiality? If not, what would you suggest and why?	● 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. The Property Council supports 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 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 is 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. The Property Council is 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 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 support the ISSB approach to build on existing frameworks to capture industry-based requirements. Our members are familiar with SASB and GRI 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).

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?	● 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 the Property Council. ● 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[5]	
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	● N/A.

[5] *C7. Should the effective date of the proposals in Exposure Draft on [Draft] IFRS S1 be consistent with, or set for a date after, the effective date of the proposals in Exposure Draft on [Draft] IFRS S2? If so, why?*

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 comments[6]	
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.

[6] *C8. Would any wording or terminology introduced in Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 be difficult to understand? If yes, what changes do you suggest and why?*