

I write to you in response to the Exposure Draft 331 ("the ED") on Climate-related and Other Uncertainties in the Financial Statements; Proposed Illustrative Examples

First, I congratulate the AASB; the standard is timely and contains many well-explained, practical examples. However a couple of things I thought would be worth raising:

### **Uncertainty re Data Sources**

Something that was not addressed specifically in the ED was uncertainties that may arise from the varying sources of underlying data, for example conversion factors used in calculating greenhouse gas emissions. Take, for example, an entity that operates in a remote area of Queensland, Australia, that is looking for a reliable conversion factor to calculate the greenhouse gas emissions from their activities. Being in a remote area, there may not be any data available about average conversion factors that are truly applicable to the activities conducted in that area. Other data available may not take into account factors such as the extreme heat and humidity in that region, which could impact how assets are used. In that situation, the entity faces a decision; perhaps they could use data from another region in Australia, or from overseas, or data that is several years old. This does not imply that the entity is acting improperly, only that limited data presents a challenge.

It raises the question as to what extent such an entity should disclose the difficulties they had in obtaining relevant data?

There may also be situations where it is appropriate to change the source of data used (for example, if domestic data becomes available when previously only international data was used).

Or is it a case that so long as the calculation is performed within the broader guidelines of the GHG's, no further disclosure is necessary?

### **Assurance Impacts**

It is evident the climate-related disclosures inherently contain far more uncertainty than "traditional" financial reports, which will pose challenges for auditors trying to achieve the required level of assurance.

Im sure there will be correspondence with the Australian Auditing Standards Board as they consider how assurance practitioners will provide their assurance over Climate-Related Disclosures, and in particular how they translate the guidance in this ED into their assessments of what is true and fair.

While the uncertainty is challenging, the ED seems to imply that the documentation of the decision-making process for what to include in the Climate-Related disclosures is key.

Auditors and those charged with governance would likely appreciate examples and/or case studies of how decision-making about the appropriateness of climate-related disclosures can best be documented.

### **Other Information**

Something that is acknowledged in the ED is the concern about inconsistencies between information presented in the annual report and other sources of information. Under ISA720, auditors have certain obligations to review the financial information for inconsistencies with other information presented by the entity. Again, this will ultimately fall to the AuASB, but it would be interesting to know the AASB's view on how any inconsistencies in information should impact the annual report.

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