

4 October 2024

Australian Accounting Standards Board (AASB)  
Submitted via website

Dear Sir/Madam,

## Exposure Draft – ED 331 *Climate-related and Other Uncertainties in the Financial Statements*

### About ACSI

Established in 2001, ACSI exists to provide a strong voice on financially material environmental, social and governance (ESG) issues. Our members include Australian and international asset owners and institutional investors with more than \$1 trillion in funds under management.

Through our research, engagement, advocacy and voting recommendations, ACSI supports members in exercising active ownership, which enhances the long-term value of the retirement savings entrusted to them to manage. ACSI members can achieve value for their beneficiaries through genuine and permanent improvements to the ESG practices of the companies in which they invest.

ACSI is responding to this consultation from the perspective of both our members as financial reporters and as users of financial reporting produced by investee companies.

### Summary of ACSI's position

Climate change risks are financial in nature and deeply embedded across the economy. Climate-related disclosures support investors' investment analysis, risk assessment, stewardship activities and due diligence processes.

ACSI believes that financial statements should include disclosure of how material climate-related judgements and assumptions have been integrated. Users of financial reporting will be supported by coherent disclosures across financial, directors' and sustainability reports. To address this objective, ACSI supports the International Accounting Standards Board's (IASB) Exposure Draft *Climate-related and Other Uncertainties in the Financial Statements* (the Exposure Draft). We encourage the AASB to adopt the guidance once finalised.

We also highlight the implications of inconsistent definitions of 'primary users' of superannuation funds' financial statements and sustainability reports respectively. Addressing this issue would strengthen the link between the reports, supporting the objective of the Exposure Draft.

### Feedback on the Exposure Draft

The Exposure Draft notes that financial statement users have expressed concerns that the effects of climate-related risks in financial statements may be insufficient or appeared to be inconsistent with information provided by entities outside the financial statements. ACSI shares these concerns and recently examined the issue in research which looked at how Australian listed companies have

integrated climate-related disclosures in their financial statements.<sup>1</sup> One challenge is that financial statements can be focused on the short-term, and many climate-related risks may be realised over the medium or longer term. As comprehensive climate-related financial disclosure requirements are implemented, institutional investors will continue to encourage companies to produce disclosures that coherently explain related financial implications, as appropriate.

ACSI supports the IASB's proposal to provide illustrated examples, as they will be particularly beneficial to those organisations that are at early stage in their reporting of climate related financial information. We encourage AASB to adopt the IASB guidance once finalised. However, we note that climate related reporting practices are evolving and further guidance over coming years will likely be valued by both reporters and users. For example, given the application of the reporting requirements in Australia to unlisted superannuation funds, they would be supported by sector-specific disclosure examples.

### Considerations regarding superannuation entities

ACSI and its members support the application of the Australian mandatory climate reporting regime to superannuation funds. However, the ISSB's Climate Reporting Standards are aimed at issuers of capital.<sup>2</sup> AASB S1 - *General Requirements for Disclosure of Sustainability-related Financial Information* notes that entities with not-for-profit activities might need to amend the descriptions used for particular items of information when applying Australian Sustainability Reporting Standards. Similarly, a modified approach will be necessary for unlisted superannuation entities, and this would be supported by sector-specific guidance and examples. In the context of the current Exposure Draft, there are no examples that are specifically aimed at Australian unlisted superannuation funds. Our view is that the Exposure Draft would be more helpful to superannuation funds if it contained relevant examples.

We note the objective of strengthening the connections between entities' financial statements and other disclosures for these entities. In this context, you will be aware that currently, superannuation entities prepare financial statements principally to inform current and potential fund members. This definition of 'primary users' is provided by AASB 1056 – *Superannuation Entities*, which differs from the definition of users of financial reporting more generally and from the definition of users of sustainability reporting under AASB S2 – *Climate-related disclosures*. In the context of the current consultation, it would be helpful for the AASB to clarify the approach to alignment across financial statements and sustainability reports for superannuation funds.<sup>3</sup> Relevant examples would be helpful.

I trust our comments are of assistance. Please contact Kate Griffiths, Executive Manager – Policy and Research ([kgriffiths@acsi.org.au](mailto:kgriffiths@acsi.org.au)) should you require any further information.

Yours sincerely,



Louise Davidson AM  
Chief Executive Officer

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<sup>1</sup> [Promises, Pathways & Performance: Climate Change Disclosure in the ASX200](#), July 2024, p. 15.

<sup>2</sup> This perspective is outlined in [ACSI's submission on the Draft Australian Sustainability Reporting Standards - Disclosure of Climate-related Financial Information](#)

<sup>3</sup> Noting the AASB's decision that no changes were required to the Standard in respect to the primary users of general purpose financial reports of superannuation entities (see [Minutes of the 205th meeting of the AASB](#)).

