28 July 2022

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

Via email commentletters@ifrs.org

Dear Board Members,

Submission on the International Financial Reporting Standards' (IFRS) Sustainability Disclosure Standards

CPA Australia and Chartered Accountant Australia and New Zealand (together the Australasian Professional Accountancy Organisations) welcome the opportunity to provide a submission on the following 'Sustainability Disclosure Standards':

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (referred to as [DRAFT] IFRS S1)
- IFRS S2 Climate-related Disclosures (referred to as [DRAFT] IFRS S2)

Together, we represent over 300,000 professional accountants in Australia, New Zealand and around the world.

We also supported the coordination of and contributed to the *Peak Australian Bodies* submission, which collectively represents the voice of 20 peak professional, industry and investor bodies in Australia who came together to prepare a joint response to the two exposure drafts.

The key points from our submission are outlined below.

The **Attachment** contains our detailed responses to the specific questions raised in this consultation. Our feedback reflects the significant outreach undertaken with our members and engagement with other stakeholders within our region.

Overarching comments

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 corporate reporting system. from which assurance can be obtained on reported information, to provide all stakeholders with a clear and accurate picture of an organisation's ability to create sustainable value over time.

Overall, in our view the current proposed [DRAFT] IFRS S1 does not achieve the clarity, appropriate scope or objectives required to foster and improve sustainability reporting toward the agreed purpose of a globally consistent, comparable, reliable corporate reporting system. We believe substantial improvements are needed, addressing the issues detailed in our responses to the specific questions, to create a conceptual basis for sustainability reporting that is appropriate for adoption. Consequently, we recommend [DRAFT] IFRS S1 be re-exposed for comment prior to finalisation.

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Comprehensive global baseline and collaboration

- The burden of potentially differing reporting requirements is a key concern among our stakeholders.
- Many entities in this region are also affected by the development of mandatory climate-related financial reporting within New Zealand, the United States of America and Europe.
- There is significant confusion amongst stakeholders about how the ISSB's Exposure Drafts would interact with these developments.
- We consider it crucial for entities to effectively and simply collect data and report in a way which meets both local and global requirements whilst avoiding duplication.
- Consistency and comparability are critical to the success of the IFRS Sustainability Disclosure Standards and the achievement of a comprehensive global baseline.
- 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.

Clear terminology, criteria and guidance

- We believe sustainability standards should be built on sound principles and a clear conceptual framework, and should provide sufficient detail for consistent application.
- However, we are concerned that paragraph 51 of [DRAFT] IFRS S1 states that "an entity **shall** consider" and lists items in a) to d) which are unspecified and external to the ISSB and IFRS Foundation. In our opinion, [Draft] IFRS S1 should standalone as a standard and not rely on other external frameworks for key matters such as these.
- We understand that this may be intended to represent guidance. Where external standards and frameworks are referenced (e.g., such as those used for identifying suitable metrics), it is our view that there must be clarity as to whether these do represent guidance or whether they are considered mandatory.
- Further work is also required to ensure the proposed standards, including key terms and definitions, are clear, concise, and understandable. This will aid consistency and comparability.
- For example, the term "sustainability" is not defined. This is particularly important in the context of issuing sustainability reporting standards.
- Additionally, the use of the terms "significant" and "material" could be confusing as currently drafted. There also appears to be other inconsistencies int eh use of terms within the proposed standards.
- Greater clarity in these areas would ensure that preparers understand what is expected of them and would also facilitate the ability to obtain assurance on the reported disclosures.

Scalable and practical implementation of best practice

- The proposed disclosure requirements in the Exposure Drafts are extensive and represent more than what is currently regarded as a minimum set of disclosures based on current market practices and capabilities.
- Smaller entities, in particular, have not prepared similar disclosures in the past and therefore will need to develop systems, processes, and controls. The cost for larger entities is likely to be higher given the extent of the requirements.
- It is important for the ISSB to consider the readiness and capability of preparers and how this may impact the widespread adoption of certain aspects of the proposed standards.
- This might include the need to adopt a "phased in" approach for smaller entities to ensure that there is sufficient capacity in the corporate ecosystem to enable the orderly and effective adoption of these proposed standards.
- We also encourage the ISSB to consider field testing to better understand how the proposals might be applied by entities of different sizes, particularly smaller entities.

Industry specific metrics

- Whilst we support disclosure of industry specific metrics, we are concerned with the quantum of industry metrics included, for example within [Draft] IFRS S2.
- We also note that the metrics contained in Appendix B of [DRAFT] IFRS S2 are inherently based on the United States environment and therefore might not be suitable in the Australian or New Zealand context, particularly given that the industry classifications, units of measurement and choice of metrics differ between the two jurisdictions.
- We consider these matters could be prohibitive to widespread global adoption, particularly as further IFRS Sustainability Disclosure Standards are developed.
- We recommend that industry specific metrics be reviewed and field tested for their usefulness to users of general purpose financial reports, before their inclusion within any standards.

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 obtained and the integrity of the information provided, similar to the reliance currently placed on audited financial statements.
- We believe certain aspects of the current Exposure Drafts could be improved to better encapsulate suitable criteria to underpin the appropriate use of limited and reasonable assurance engagements
- It is important that the ISSB develop standards that have the essential characteristics necessary to enable an independent practitioner to perform an assurance engagement. Robust criteria and definitions are essential.
- It is also very important that the ISSB works closely with the International Auditing and Assurance Standards Board (IAASB) to ensure that assurance can be obtained on the sustainability information being reported and disclosed. We note that the IAASB has introduced a project to develop an assurance standard on sustainability reporting.

Effective date

- An effective date would need to consider the financial report preparation cycle of entities; the availability and quality of data and the need for preparers to build their reporting capability.
- We consider that whilst some entities are reasonably mature and prepared for the introduction of these new disclosure standards, some entities will require considerable time to scale up their expertise and capacity. We recommend consideration be given to a phased in approach to adoption across entity types, sectors and/or sizes.
- Further, for certain disclosures, transitional arrangements may be required due to the current availability and reliability of data and methodologies.
- We also note that the effective date should take into account that jurisdictions will be in different states of readiness, both in terms of the adoption mechanism (e.g., legislative and regulatory architecture) and the availability of skilled practitioners.

Education

- We recognise that establishing a comprehensive global baseline for sustainability reporting will take time and some amendments may be required to achieve a baseline that is capable of consistent application, and over which independent practitioners can obtain assurance.
- Building professional capacity to support implementation of the standards and ongoing collaboration globally with regulators, standards setters, policy makers and key players within the sustainability reporting ecosystem will be critical.

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- We are committed to supplementing the efforts of the ISSB by developing relevant educational programs and resources to build professional capacity in sustainability reporting and assurance in our region.

If you require further information or elaboration on the views expressed in this submission please contact at CPA Australia, Patrick Viljoen at patrick.viljoen@cpaaustralia.com.au, or at CA ANZ, Karen McWilliams at Karen.McWilliams@charteredaccountantsanz.com.

Yours sincerely

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ATTACHMENT

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (referred to as [DRAFT] IFRS S1)

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?

- No, we do not consider the current requirements in [DRAFT] IFRS S1 to be clearly stated.
- 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 and the guidance to support the statement is currently insufficient to enable compliance.
- In our opinion, [DRAFT] IFRS S1 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 split into separate documents, or alternatively, that there is improved clarity about them if they continue to be included 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 need to consider these issues with reference to its enterprise value and the usefulness of information to primary users using IFRS Sustainability Disclosure Standards or alternative non-mandatory guidance.
- We consider the broad stakeholder engagement process to be critical as primary users are interested in sustainability-related 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.
- We recommend that [DRAFT] IFRS S1 be field tested first, given it represents new reporting requirements for sustainability information. By way of example, the adoption of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations by entities and jurisdictions means that climate-related disclosure requirements have been field tested. This is not the case with other sustainability areas.

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?

- With respect to question 1(c) in particular, while [DRAFT] IFRS S1 and [DRAFT] IFRS S2 could be applied together, the lack of a conceptual framework makes this unclear, particularly with respect to the future architecture of other thematic standards and industry standards and the general requirements standard.

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, we do not consider the requirements proposed in [DRAFT] IFRS S1 currently provide a suitable basis for auditors and regulators to determine compliance.
- There is a critical role for independent external assurance to enhance the credibility of reported sustainability information.
- In our view, the goal should be for investors and other stakeholders to rely on the assurance obtained and the integrity of the information provided, in a similar way to how they rely on assurance obtained by an audit of 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 that certain aspects of the current draft of [DRAFT] IFRS S1 could be improved 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 [DRAFT] IFRS S1.
- Suitable criteria are described in ISAE 3000 as exhibiting the following characteristics Relevance, Completeness, Reliability, Neutrality and Understandability. The current [DRAFT] IFRS S1 presents challenges across all of these aspects. For example, with regard to providing a clear boundary and scope for reporting, which affects relevance and completeness, and with regard to the refinement of metrics which impacts reliability and neutrality. We note paragraph 28 includes 'metrics developed by an entity itself' subject to an explanation for the metrics (paragraph 31). We do not believe such practice would promote reliability and neutrality.
- The understandability of sustainability information will be an ongoing challenge as this reporting is rolled out and adopted more widely. However, refining the approach in the [DRAFT] IFRS S1 with this goal in mind, and the achievement of a meaningful, consistent level of assurance, will be a key and defining factor.
- We recognise and commend the collaboration between the ISSB and the IAASB, as well as the ongoing efforts of the IAASB to rapidly develop a standard for assurance of sustainability information. Notwithstanding, we would encourage making the ability to obtain assurance an even more central condition in developing an effective reporting standard. In our opinion, if the reporting standards do not encompass comprehensive suitable criteria, the ISSB will not be able to achieve its aims.

Question 2 – Objective

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

- No, we do not consider the proposed objective to be clear.
- 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. Preparers are reasonably familiar with the use of materiality. The inclusion of significant, without a more adequate explanation could cause confusion, particularly as there is no indication of the difference between these terms in the current list of definitions provided.
- We recommend consideration be given to providing greater clarity on the definitions and differences between 'significant' and 'material' in [DRAFT] IFRS S1. It would be useful to provide clear, illustrative guidance to explain the difference between the two concepts.

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- Additionally, we consider a need to provide additional guidance in relation to sustainability-related opportunities, with respect to materiality, as well as for disclosure requirements.

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, we do not consider the definition to be clear.
- There is currently no definition of "sustainability" provided within [DRAFT] IFRS S1. Whilst we understand the ISSB may have reservations about providing a definition of sustainability, we consider a clear definition of sustainability is fundamentally required in this specific context. That is, for the purposes of issuing sustainability disclosure standards. The ISSB may need to re-consult on such definitions to ensure consistency.
- The information required to be disclosed exceeds financial statement disclosure requirements (e.g., direction, governance, strategy relating to risk and opportunities of sustainability decision making that impact inflows and outflows). These separate pieces of information should therefore be defined.
- If key terms are not well-defined and left open to interpretation, preparers and users may apply different judgments to the meaning of the disclosures, impacting comparability and usability.
- Further, we note that the definition of sustainability-related financial information specifies that it could include '*the entity's development of knowledge-based assets'* (paragraph 6(d)). We consider that this inclusion requires further explanation to explain what is included as a knowledge-based asset and how these assets would be related to sustainability and paragraph 2. We suggest close collaboration between the ISSB and the International Accounting Standards Board (IASB) to align workplans and avoid duplication of effort.
- Likewise, paragraph 6(b) does not clearly demonstrate a linkage to sustainability-related financial information and could be interpreted as relating to all decisions affecting future inflows and outflows which are currently not recognised.
- We acknowledge the use of the TCFD recommendations in defining the dimensions of sustainability-related financial disclosures.

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?

- We note that both Australia and New Zealand adopt IFRS Accounting Standards.
- We agree that [DRAFT] IFRS S1 could be used by entities irrespective of whether they use the IFRS Accounting Standards or local generally accepted accounting principles (GAAP). The inclusion of those jurisdictions that do not use IFRS Accounting Standards will also potentially aid the breadth of adoption globally.
- We recommend that paragraph 9 be removed as it is both confusing and unnecessary. We are also unclear how paragraph 9 interacts with paragraph 2 and those paragraphs addressing materiality.

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?

- The disclosure objectives are clear and appropriately defined.
- We support the alignment of the disclosure objectives to the TCFD.

- This approach provides preparers with a structure that many will already be familiar with, as well as one that has been already subject to industry application. We also note it forms the basis of the Taskforce for Nature-related Financial Disclosures (TNFD).

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

- With respect to the disclosure requirements for governance, strategy, risk management and metrics and targets, we consider the disclosure requirements to be broadly appropriate for their stated disclosure objectives.
- However, we note that there are several specified disclosures (i.e., entities *shall* disclose), which result in the requirements being more prescriptive, rather than being principles-based requirements. We recommend that the ISSB reviews and revises the requirements accordingly.
- We also consider that the disclosure requirements should be sufficiently flexible to allow for entities to incorporate these disclosures with others made by the entity. We welcome the flexibility provided by paragraph 70 for cross-referencing of disclosures.
- We also offer the following comments with respect to each of the disclosure areas:

Governance

- We note that paragraph 13(d) states *how and how often the body and its committees (audit, risk or other committees) are informed about sustainability-related risks and opportunities*. We do not consider frequency equates to relevance. Likewise, it is not just about being informed of internal risks but also about being informed of external trends. This requirement could therefore be phrased as '*how does the body ensure it is appropriately informed on a timely basis via internal or external means…'.*

Strategy

- With respect to the strategy disclosure requirement, we note that, as climate change response matures, some elements of strategy will be commercially sensitive.
- To this end, the ISSB could consider providing an exemption from reporting commercially sensitive information under this pillar.
- With respect to paragraph 18, we consider the time horizon will be specific to the specific sustainability topic.
- We are unclear how the information required by paragraph 22 would interact with the financial statements. The requirements within this paragraph seem particularly financially focused compared to other requirements. Further, there seems to be a lack of consistency between the reference to timeframes in the opening statement for paragraph 22 which refers to '*short, medium and long term'*, and paragraphs a) – d) which refer to a) current financial year, b) next financial year and then c) and d) 'over time'.

Risk management

- We note paragraph 25 refers to 'Integrated into overall risk management processes'. However, paragraph 26(f) requires disclosures on how opportunities are 'integrated into the overall management process'. We recommend that there be further alignment between the overarching objective and the disclosure requirements with respect to opportunities.

Metrics and targets

- Paragraph 28 appears to duplicate disclosures already made in accordance with other (eventual) sustainability standards. If there will be a disclosure requirement contained in another standard, we suggest that [DRAFT] IFRS S1 should not require another (duplicate) disclosure.
- It is unclear what is contemplated by paragraph 31(b) where it states "*validated by an external body"*. We suggest that this requirement is clarified to clearly state whether validation refers to assurance or refers to the metrics used being developed independently from the entity.

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?

- We agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements.
- However, while we consider that sustainability-related financial information should use the same reporting boundary as the associated financial statements, we acknowledge that there are challenges that will need to be considered further by the ISSB.
- In particular, a sustainability-related risk or opportunity that is significant for an entity within a group, may not be material when considered at the consolidated group level.

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?

- We do not consider this requirement to be clear.
- We believe that this requirement will be challenging as [DRAFT] IFRS S1 lacks clarity around the definition of the value chain, which is needed to provide a consistent boundary for an entity's reporting.
- There is a definite need for clear guidance in [DRAFT] IFRS S1 (with examples) as the sustainability-related risks and opportunities related to activities, interactions and relationships along an entity's value chain will be different, and sustainability matter-specific, for each entity.
- Further, the relevant information related to activities, interactions and relationships along an entity's value chain will also be topic specific. The examples described in the Basis for Conclusions (BC) paragraph BC51 state that the information required along the value chain will vary depending on the sustainability-related matter. As such, we consider that the requirement in paragraph 40 should be amended to recognise this point.
- We also question the usefulness of paragraph 41 given that it does not refer to any specific Standard. We recommend that it be incorporated into paragraph 40.
- Lastly, the [DRAFT] IFRS S1 recognises that information from third parties may need to be included, but it does not indicate how to navigate situations where those third parties are not themselves subject to the Standard.

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 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?

- We agree that the requirement is clear but are of the view that entities will not be able to comply with the requirement without supporting guidance to assist them to understand how to achieve

connectivity between the related risks and opportunities, and where such connectivity exists and would aid holistic and succinct reporting.
- The environmental, social and economic issues covered by sustainability disclosure standards frequently have implications for financial reporting.
- We welcome the recognition by the ISSB of the need for reporting entities to assess and disclose the connectivity between traditional financial reporting and sustainability-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 (e.g., potential financial impacts of climate-related risks).
- We also note that the IFRS Sustainability Disclosure Standards will need to consider connectivity between themselves, as many thematic areas interconnect with other areas. Guidance on how to disclose this interconnectivity will be important.
- Additionally, we support the ISSB's Memorandum of Understanding with the Global Reporting Initiative (GRI) and encourage that clarity be provided 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 United Nations Global Compact Communication on Progress.
- Finally, we note that in some jurisdictions, requirements already exist for the disclosure of sustainability-related matters, such as modern slavery, human rights and water. In the absence of specific IFRS Sustainability Disclosure Standards, we recommend that entities be required to reference these disclosures.

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?

- Our response to this question should be considered with reference to our responses to questions 1 and 2.
- We do not consider the proposal to be clear and are of the view that it may be challenging for assurance practitioners and regulators to assess whether entities have met this requirement.
- Paragraph 51 refers entities to IFRS Sustainability Disclosure 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 from the IFRS Sustainability Disclosure Standards, with topics within existing standards and frameworks instead used to confirm that no major risks or opportunities have been overlooked.
- The open-ended nature of paragraphs 51-54 creates critical challenges for compliance and assurance.
- In particular, we are 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.
- In our opinion, [Draft] IFRS S1 should standalone as a standard and not rely on other external frameworks for key matters such as these. We appreciate that in the absence of a full set of IFRS Sustainability Disclosure Standards, paragraph 51 may have been intended as an interim measure. However, we believe that [DRAFT] IFRS S1 should be clear about its own intent, and as indicated in our response to question 1 we see a need for two distinct pieces of work. That is, a conceptual framework and the provision of interim/transitional guidance.
- We also consider it important for [DRAFT] IFRS S1 to explicitly require that sustainability-related financial disclosures be presented with equal prominence to the financial statements within the entity's general purpose financial report.
- Likewise, all sustainability-related financial disclosures should be presented with equal prominence across thematic areas.

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- With respect to aggregating information, the ISSB should provide additional guidance to support reporting entities. The ISSB might also consider how aggregation of information would apply when further thematic standards are developed.

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 consider that the sources of guidance have been appropriately presented as 'sources of guidance'.
- Where external standards and frameworks are referenced (e.g., such as those used for identifying suitable metrics), we are of the view that there must be clarity as to whether these represent guidance or whether they are considered mandatory.
- As noted above, the current drafting presents these 'sources' of non-mandatory guidance as a requirement. That is, for entities to consider them all, despite all of them not being specified.
- We do not consider this appropriate for the standard and recommend they be 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 8 – Materiality

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

- We do not consider the definition and application of materiality is clear throughout the proposed standard, as indicated in our response to question 2.
- We agree that materiality should be determined using the same approach as the financial statements. Therefore, we support the alignment of the definition to that in the IFRS Conceptual Framework and IAS 1.
- However, we consider that there is misalignment between the definitions in the scope (paragraph 9) and materiality (paragraph 56). Information that affects the assessment of enterprise value may not directly align with information that may influence decision making (for materiality assessments). For example, it may be possible that information might not affect an enterprise value assessment but could still affect decision-making by a particular primary user (such as in the case of lending).
- In practice, preparers that currently report on sustainability-related considerations apply the term materiality to the process of identifying those critical sustainability-related topics.
- The proposed standard uses the term "significant" to refer to this particular process, which would be at odds with established practice. We also note that the focus in paragraph BC71 is placed on financial implications over longer time periods. We contend that these considerations may not necessarily be financial in nature. However, this would not mean explicitly that the effect on the organisation would be any less.
- For example, the reputational risk of damage to sacred first nation sites as a result of extractive operations may be difficult to quantify, but could have a substantial impact on both revenue (loss of customers) and expenditure (legal fees). However, we acknowledge that the approach contemplated in paragraph BC72 is prudent.
- As previously recommended, we suggest that references to materiality and enterprise value (and significant) be clearly delineated from each other to better illustrate their relevance to the preparer. Guidance is also needed with respect to this delineation and subsequent application.
- Further, we note paragraph 58 states that materiality will be entity specific. We also consider it important for [DRAFT] IFRS S1 to clearly state that materiality will also be specific to the particular sustainability matter.

- By way of example, we note that this clarity is provided in the Australian Accounting Standard Board's (AASB) and Auditing and Assurance Standards Board's (AuASB) Joint Bulletin: *Climate-related and other emerging disclosures: assessing financial statement materiality using AASB Practice Statement 2.*

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, we do not consider the current definition and application will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time.
- As noted in our responses to questions 1 and 7, we consider the breadth of sustainability-related risks and opportunities should be identified through the stakeholder engagement process.
- This question highlights the need for clarification to distinguish between the identification of significant sustainability-related risks and opportunities and the identification of information material to primary users.
- In particular, we recommend that the ISSB provides guidance on the application of the definition to forward-looking information 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?

- We consider the illustrative guidance document to be helpful, but believe that additional guidance is needed.
- The definition and application of materiality are dependent on the definition and application of the term "significant" in the context of sustainability-related risks and opportunities.
- Likewise, in the Illustrative Guidance (IG) paragraph IG6 could further emphasise the importance of qualitative factors in the materiality assessment of sustainability-related financial information.
- There is also a lack of guidance on how an entity should deal with a topic where more than one standard or framework exists. The illustrative guidance currently only focuses on the application of a single standard or framework.

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?

- We consider the proposed relief to be reasonable.
- We recommend that, if such relief applies, the entity discloses the basis for utilising the relief.

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?

- We agree in principle that sustainability-related financial disclosures are to be provided at the same time as the financial statements of the reporting entity to which they jointly relate.
- However, we consider that this requirement will need to be achieved over time and that the ISSB should provide flexibility to enable this practice to evolve.
- It is unlikely that the sustainability-related disclosures can be provided at the same time as the financial statements until data, methodologies and systems are upgraded and human capital is trained.

- We suggest that transitional arrangements will need to be put in place until such a time when all information can be released concurrently.
- These transitional arrangements will provide lead in time for assurance practitioners, who could be required to carry out assurance engagements on both financial statements and sustainability-related disclosures at the same time.

Question 10 – Location of information

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

- We agree with the proposal to disclose information required by IFRS Sustainability Disclosure Standards as part of an entity's general purpose financial report, e.g., as part of management commentary or in a location required by regulators.
- As noted in our response to question 6, some jurisdictions already have requirements for the disclosure of sustainability-related matters, such as modern slavery, human rights and water. In the absence of specific IFRS Sustainability Disclosure Standards, we recommend that entities be required to reference these disclosures.

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?

- We are currently unaware of any Australian or New Zealand specific requirements that would prevent information being disclosed by an entity.
- However, as noted in our responses to questions 6 and 9, there may be some challenges aligning the reporting cycle that will require transitional arrangements.

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?

- We support the concept of cross-referencing as it reduces the amount of information in the general purpose financial report.
- However, it may also make sense to allow preparers to make the decision to disclose information separately, outside the general purpose financial report, provided this is properly referenced as proposed in paragraph 77.

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?

- No, we do not consider this requirement is clear.
- The example in paragraph 78 suggests that *when* an entity has integrated its oversight of sustainability-related risks and opportunities, the disclosure should be integrated.
- We recommend paragraph 78 be amended to clarify that integrated disclosures on each aspect of governance, strategy and risk management are encouraged across thematic areas wherever possible.

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?

- The requirements to update comparative information in paragraphs 63 and 64 do not appear to distinguish between an 'error' and a 'better estimate'.
- With respect to statements made in error, we support the requirement to disclose the metric in comparative reports. However, we believe that many differences will be as a result of 'better' estimation methods. The rate of change will be significant with 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 a move from emissions factors to actuals in subsequent reporting periods. This 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 do not consider it reasonable to recalculate and restate previous disclosures based on evolved techniques and data.
- Sustainability-related data is often reliant on estimation and whilst in theory it makes sense to require restatement of comparatives when estimations are updated to demonstrate trends, this might not be practicable and may create an onerous burden on the reporting entity.
- We suggest that the standards include clarifying language to the effect that restatements of comparatives are required when there has been an error, but disclosure only is required if changes result from improved estimation methods and when the time and cost involved in restatements would be prohibitive.

Question 12 – Statement of compliance
Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

- In principle, we agree with the concept of a statement of compliance as it enables users to understand the basis on which the sustainability-related disclosures have been prepared. There is a similar requirement for financial statements.
- However, we also believe that there may be a case for a 'comply or explain' type of statement to address where entities are unable to, or choose not to, disclose information for all disclosure obligations.
- Further, we consider it would be unrealistic to expect entities to be able to respond to all requirements for all sustainability-related risks and opportunities within the first year of reporting.
- In the domestic implementation of the IFRS Sustainability Disclosure Standards, the local legal context will need 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.
- For the ISSB, it will be important that liability risks do not undermine comprehensive and good faith implementation of the IFRS Sustainability Disclosure Standards and appropriate accountability for disclosure.
- We suggest that any mandatory reporting obligations will need to balance the urgency of commencing the disclosures with the serious potential for vexatious litigation against well intentioned and well considered disclosures by preparers.

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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.**

- An effective date would need to consider the financial report preparation cycle of entities; the availability and quality of data and the need for preparers to build their reporting capability.
- We consider that whilst some entities are reasonably mature and prepared for the introduction of these new disclosure standards, other entities will require considerable time to scale up their expertise and capacity. We recommend consideration be given to a phased in approach to adoption across entity types, sectors and/or sizes.
- Further, for certain disclosures, transitional arrangements may be required due to the current availability and reliability of data and methodologies.
- For example, 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 certain industry specific metrics.
- The requirements for sustainability-related disclosures, and notably for climate-related disclosures, under [Draft] IFRS S2 involve great complexity. As such, a minimum of two to three years phased transition period should be considered.
- The implementation of the TCFD recommendations by entities has typically been carried out using a phased approach over two to three years.
- Likewise, we note that climate is one of the most progressed and measurable thematic sustainability areas. 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.
- Therefore, it is reasonable to expect that entities would take a similar approach to implementing the IFRS Sustainability Disclosure Standards.
- We also note that the effective date should take into account that jurisdictions will be in different states of readiness, both in terms of the adoption mechanism (e.g., legislative and regulatory architecture) and the availability of skilled practitioners.
- To this end, we suggest that the ISSB considers how a phased in approach could be reflected in the effective date.

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 with the relief from disclosing comparatives in the first year of application to allow entities reasonable time to adopt the requirements in the Standard, which could be costly and time consuming to comply with in the first year of reporting.
- However, we consider this would be best included in a specific standard covering transitional arrangements for first time adoption and not within the general disclosure 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? 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 corporate reporting system, from which assurance can be obtained on reported information, 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 are important between sustainability disclosure initiatives and financial accounting standard-setting. In our opinion the ISSB is best placed to achieve this with its connection the IASB.
- The burden of potentially differing reporting requirements is a key concern among our stakeholders.
- Many entities in this region are also affected by the development of mandatory climate-related financial reporting within New Zealand, the United States of America and Europe. There is significant confusion from stakeholders about how the ISSB's Exposure Drafts would interact with these developments.
- We consider it crucial for entities to effectively and simply collect data and report in a way which meets both local and global requirements whilst avoiding duplication. Consistency and comparability are critical to the success of the IFRS Sustainability Disclosure Standards and the achievement of a comprehensive global baseline.
- The consolidation and harmonisation of existing frameworks is a key objective of the ISSB. Therefore, we 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 GRI.
- For completeness, whilst we support disclosure of industry specific metrics, we are concerned with the quantum of industry metrics included, for example, within [Draft] IFRS S2.
- We consider this could be prohibitive to widespread global adoption, particularly as further IFRS Sustainability Disclosure Standards are developed.
- While we support the inclusion of industry-specific metrics, we recommend that industry specific metrics be reviewed and field tested for their usefulness to users of general purpose financial reports before their inclusion within the Standard.

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)?

- We strongly endorse the need for the reporting standards to facilitate the development of a consistent Taxonomy and digital reporting. The potential volume and complexity of sustainability reporting means a consistent Taxonomy and the ability for users to put digital technology to use in analysing and digesting the information is essential.
- As detailed in our response to question 7, we have concerns regarding the open-ended nature of the requirements in paragraph 51. In addition to the other aspects raised, this is also likely to create difficulty in facilitating the development of a consistent Taxonomy and digital reporting.

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?

- We have not carried out a cost benefit analysis on the proposals set out in either of the Exposure Drafts. However, we expect significant development, implementation and maintenance costs, as they relate to supporting regulatory frameworks, to be borne by jurisdictions.

- Consultation with our various stakeholders has indicated that costs will be incurred with respect to implementing or strengthening reporting systems and internal controls for the collection and production of relevant data.
- The proposed disclosure requirements are extensive and represent a step-change, especially for smaller entities who have not prepared similar disclosures in the past and will need to implement new systems.
- Conversely, the cost for larger entities is likely to be higher given their complex value and supply chains and the need to collect data from third-party sources.
- This might include the consolidation of information at a group level, which would require the implementation of new reporting structures that are consistent across the group.
- When completing a cost-benefit analysis it is essential to assess the proportionality of anticipated costs.
- Further, given the high-level of uncertainty for some sustainability-related matters, it is likely that ongoing costs will be incurred where methods of calculation are improved and estimates are refined.
- Entities may also have the additional expense associated with having sustainability-related disclosures assured.
- We recommend that the ISSB field tests the proposals to better understand and quantify the costs, benefits and effects of applying them and explore a phased in approach to the implementation of the proposed requirements.

Question 17 – Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

- Overall, in our view, the current proposed [DRAFT] IFRS S1 does not achieve the clarity, appropriate scope or objectives required to foster and improve sustainability reporting toward the agreed purpose of a globally consistent, comparable, reliable corporate reporting system.
- We believe substantial improvements are needed, addressing issues as detailed in our responses to the specific questions, to create a conceptual basis for sustainability reporting that is appropriate for adoption. Consequently, we recommend that [DRAFT] IFRS S1 be re-exposed for comment prior to finalisation.

IFRS S2 Climate-related Disclosures (referred to as [DRAFT] IFRS S2)

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?**

- Yes, we agree with the objective that has been established for the [DRAFT] IFRS S2, particularly given its alignment with widely adopted TCFD recommendations.
- However, a significant level of judgment from preparers is needed to determine the factors and information that influence enterprise value.
- If key terms are not well-defined and left open to interpretation, preparers and users may apply different judgments to the meaning of the disclosures, impacting comparability and usability.

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 broadly agree with proposed disclosure requirements, although we note that these requirements are more onerous than those contained in the TCFD recommendations.
- We note that ensuring boards and senior management teams have the appropriate skills and competencies in relation to climate and broader sustainability-related risks and opportunities will be a key challenge. However, we welcome this addition.
- Recognising the importance of integrated reporting and internal risk management, we suggest that disclosures should also cover skills and competencies at a governance level, beyond just the body with oversight of climate-related risks and opportunities.
- We also recommend that the ISSB considers how [DRAFT] IFRS S2 can more effectively interact with [DRAFT] IFRS S1, minimising the need to duplicate general disclosure requirements for each thematic area.

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 agree with the requirement to identify and disclose a description of significant climate-related risks and opportunities.
- However, we recommend that the ISSB considers how [DRAFT] IFRS S2 can more effectively interact with [DRAFT] IFRS S1, minimising the need to duplicate general disclosure requirements for each thematic area.
- As with our comments in relation to [DRAFT] IFRS S1, we note that the term ‘significant’ is less well understood. As such, we recommend consideration be given to providing greater clarity about the distinction between ‘significant’ and ‘material.’
- Further, we consider that the ISSB should provide guidance on how entities should establish time horizons. Those charged with governance are expected to determine the appropriate time horizon and provide justification for why they consider that period to be appropriate. Also, it should align with an entity’s business cycle. However, we recognise the challenges in defining short-, medium- and long-term time horizons that are suitable for every entity, and as such, believe further guidance is necessary.

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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 do not agree with the proposed requirement, in terms of the disclosure topics defined within the industry requirements.
- We note that the metrics contained in Appendix B are inherently based on the United States environment and therefore might not be suitable in the Australian or New Zealand context, particularly given that the industry classifications, units of measurement and choice of metrics differ between the two jurisdictions.
- Further, due to the sheer quantum of the proposed metrics within Appendix B and the available time and resources, we have not had the capacity to consider the industry metrics in detail with members and stakeholders.
- We are concerned abut the implications of this for widespread global adoption, particularly as further IFRS Sustainability Disclosure Standards are developed.
- For completeness, we note comparability within sectors is helpful, especially when assessing performance. However, by referring to a pre-selected list of topics there is a risk that this requirement, if mandated, may prevent entities from applying their own processes to identify and assess risks and opportunities.
- We consider that these requirements should not be mandatory but instead act as guidance for preparers. Although they may lead to improved relevance and comparability of disclosures in some cases, this should be left to the judgement of the preparer of the report.

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?

- Yes, we broadly 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.
- However, we note there appears to be an inconsistency within paragraph 12 of [DRAFT] IFRS S2 where both paragraphs 12(a) and (b) focus on the impact of the value chain, but the focus of the paragraph itself is on the business model.
- Entities should be required to consider the effects of climate-related risks and opportunities on the business model separately from the effects on the value chain.
- We recommend that this paragraph be split into two to ensure that the requirements on business model and value chain are distinct.
- For completeness, we note that these disclosure requirements are also duplicated in paragraph 20 of [DRAFT] IFRS S1 and suggest that this repetition be removed.
- Further, it would be useful if guidance, in the form of examples, be provided to assist preparers as value chain disclosures are a new concept and preparers would be faced with challenges in preparing the disclosures.

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, we agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative.

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.**

- In principle, we agree with the proposed disclosure of transition plans.
- However, we recognise that not all entities are uniform in their level of maturity. Further, as organisations progress on their respective journeys, their transition plans may become business sensitive as these plans could potentially provide competitive advantage.
- Specifically, we consider paragraph 13 to be complicated and difficult to understand. We recommend this paragraph be revised for clarity.
- We also note that the terms 'strategy' and 'business model' appear to be used interchangeably. While an entity may be required to change its strategy in relation to climate, this may not necessarily impact the business model. As such, we consider that the distinction between these two terms should be clearer.

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?**

- We recognise that carbon offsets can play an important role in transition plans, but consider that related disclosures should instead be included as part of the metrics and targets requirements. We consider that transition plans should cover elements like adaptation.
- Further, we consider that carbon offsetting should only be utilised to the extent that no other viable option is available to the entity or where no further potential diversification or change in operations is possible. As such, we also consider that evidence should be required on how an entity has sought to change its business operations or the extent to which other mitigation mechanisms have been deployed.

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?**

- We disagree with the requirements related to current and anticipated effects.
- We consider it to be difficult for entities to isolate and quantify the effects of climate on their financial position, performance and cash flows.
- Additionally, we note that the current effects on the financial position, performance and cash flows should already be disclosed within the entity's financial statements. In the interests of connectivity and conciseness, we do not believe that these disclosures should be duplicated.

- Whilst we agree with encouraging the disclosure of quantitative information, we would prefer the Standard to provide greater flexibility, clearer definitions as to what is considered 'climate-related' in the context of the Standard and enhanced guidance.
- Similarly, guidance should be provided as to the use of assumptions and how entities should navigate situations where assumptions relied on differ from those relied on for general financial reporting purposes.
- Further, we consider there may be a challenge regarding the requirements in paragraph 14 for disclosure on investment and funding plans. We appreciate that the intent is to seek clarity on how entities would both deploy capital on their transition ambition and seek to fund this ambition.
- However, information on the sources of funding is highly sensitive, and as plans on investment become more sophisticated, they too may also become business sensitive. The depth of disclosure required should be balanced against the practicalities of business 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 position and financial performance over the short, medium and long term? If not, what would you suggest and why?

- We disagree with the proposed requirements.
- We do not consider that there is sufficient clarity between the requirement to disclose 'over the short, medium and long-term' and the requirements in 14 c) and d) which refer to 'change over time'.
- We also consider it to be difficult for entities to isolate and quantify the effects of climate on their financial position and financial performance.
- In the domestic implementation, the local legal context will need 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.
- For the ISSB, it will be important that liability risks do not undermine comprehensive and good faith implementation of climate-related disclosures and the appropriate accountability for disclosure.
- We suggest that any mandatory reporting obligations will need to balance the urgency of commencing the disclosures with the serious potential for vexatious litigation against well intentioned and well considered disclosures by preparers.

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?

- We agree with the items listed in paragraph 15(a).
- However, we do have concerns about the level of specificity required by paragraphs 15(a)(iii)(1) and (2). Both of these considerations could reside at one of two extremes, either indicating availability of resources or an unwanted minutia of detail being provided.
- We consider that entities are unlikely to disclose information that would expose their own critical approaches to generating or maintaining competitive advantage.

(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?

- We agree with the need to allow for options other than scenario analysis. However, we are of the view that this should be considered as a transitional arrangement, rather than a permanent inclusion within the Standard.
- We also agree with the resourcing and capability constraints as highlighted in BC94.
- With regards to BC94 and BC95, we also note the intent of the ISSB for scenario analysis to become the preferred methodology over time.

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 and consider the requirements for the use of scenario analysis to be suitably comprehensive.
- However, we note that paragraph 15(b)(i)(3) views transition or physical risks in a mutually exclusive way. We consider that scenarios may increasingly encompass both transition and physical risks and recommend that the paragraph be amended to enable a cohesive view of the overall impact.

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?

- As noted in our response to question 7b, we agree with permitting alternative methods as a transitional arrangement only. On this basis, we agree with the requirements for an alternative solution being used. This provides relief whilst still requiring an equivalent level of rigour.

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?

- We have not received specific feedback regarding the implementation costs. However as noted in paragraph BC94, the implementation costs will not be borne in a uniform way across all entities.
- We also note the approach taken in New Zealand with regards to the structuring of its own climate-related disclosures framework, and the importance being placed on alignment of sectoral scenarios against which entities are able to test the resilience of their own business models.
- It is our opinion that industry or sectoral cooperation will be key to unlocking the maximum amount of benefit from this process.
- We recommend that the ISSB field tests the proposals to better understand and quantify the costs, benefits and effects of applying them.

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 intent of the [DRAFT] IFRS S2 to broaden the definition of the TCFD recommendations to encompass climate-related opportunities. We are also aware of the potential overlap with [DRAFT] IFRS S1 (as per BC104).
- We recommend that paragraphs 16 and 17 be amended to remove duplication with [DRAFT] IFRS S1. Paragraph 18 would then no longer be required.

- However, we note that overlaps would continue to exist between this requirement and climate resilience, in as much as the inputs required for the scenario analysis would presumably also impact the inputs for an entity's risk management approach.

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?

- Yes, we broadly agree with the proposals and recognise that most of the cross-industry metric categories may be useful in the assessment of enterprise value.
- With respect to transition and physical risk disclosures, we note that these are focused on quantitative information. In order to provide comparable disclosures, there will need to be clear definitions of 'business activities' and 'vulnerable' for the purposes of determining the impact.
- With respect to the requirement to disclose the internal carbon price, the disclosures assume an entity has an internal carbon price. We recommend that entities should be able to disclose if they do not currently use an internal carbon price.
- We note that, within Australia, there already exists detailed remuneration disclosure requirements. Further, consideration would need to be given to how the requirement to link remuneration to climate matters relates to enterprise value and whether such a requirement would be extended for additional sustainability thematic areas.

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 specific comments.

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?

- Whilst we agree that the IFRS Sustainability Disclosure Standards should reference the use of the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions, we do not consider that this should be a requirement.
- We consider that entities should be able to use jurisdictional GHG protocols or standards if relevant. For example, Australia's National Greenhouse and Energy Reporting Scheme is more comprehensive and detailed than the GHG Protocol.
- We consider that entities should be required to disclose the methodologies used to prepare data, regardless of whether or not they choose to use the GHG Protocol.

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 (N_2O))?

- We broadly agree with the aggregation of GHGs into a single CO_2 equivalent and for the equivalent to be utilised as a starting point for assessing the resulting impact, particularly as this is the global approach.
- However, we would suggest that entities produce a statement that sets out the composition of its Scope 1 GHGs with the factor applied to each. Given the uneven lifecycle of each GHG, this would better explain the longer-term impact.

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 requirement (i). However. we consider requirement (ii) would represent a duplication of Scope 3 emissions disclosures.

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.

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?

- We agree with the disclosure requirements for climate-related targets.
- The requirements assume an entity has a target and therefore, we consider it appropriate to enable entities without a target to be required to disclose that fact – i.e., that they do not have a target – instead.
- We also note the dynamic nature between those targets set for climate-related considerations with broader sustainability-related considerations (such as water and biodiversity). This dynamic nature should be critically considered when further IFRS Sustainability Disclosure Standards are developed, including their interaction with [DRAFT] IFRS S2.
- For clarity, we recommend that entities provide details of whether different targets apply to the consolidated group, entities within the group, its upstream or downstream value chain, or specific geographic regions.
- We consider that the 'latest international agreement' should be an explicitly defined term with the standard through the use of italics. We also consider it should refer directly to the latest international agreement within the definition.

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 disagree with the approach taken to revise the SASB Standards to improve international applicability.
- As noted in our response to question 3(b), the metrics contained in Appendix B are inherently based on the United States environment and therefore might not be suitable in the Australian or New Zealand context, particularly given that the industry classifications, units of measurement and choice of metrics differ between these jurisdictions.
- We consider that there are challenges relating to the use of the SASB Standards in an international context, and in particular, we are aware of the current low adoption rate in the Australian and New Zealand contexts.
- We also note the implications of an inherently rules-based approach for those preparers that have traditionally utilised a principles-based approach in their reporting.
- Further, this rules-based approach of Appendix B is at conflict with the largely principles-based approach within [DRAFT] IFRS S2.

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 agree with the need for amendments to improve international applicability. However, we do not consider the proposed amendments to be sufficient.

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?

- Given the current low adoption rate in the Australian and New Zealand contexts we have no comments here.

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?

- As noted in our response to Question 9 f), we consider the cross-industry requirement to disclosure Scope 3 emissions to be sufficient.
- We do not agree with this requirement being duplicated here.
- However, as indicated, there will need to be transitional arrangements to allow for the availability and quality of data to be improved.

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?

- Please see our response to question 11(j).

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

- We strongly disagree with the inclusion of industry-based requirements within the Standard.
- In particular, we note that due to the sheer quantum of the proposed metrics within Appendix B, we have not had the capacity to consider them in detail with members and stakeholders. Further, we consider this quantum to be beyond what would be expected of a comprehensive global baseline.
- As noted above, we also have concerns with their current international applicability.
- We consider these issues to be prohibitive to widespread global adoption, particularly as further IFRS Sustainability Disclosure Standards are developed.
- 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 general purpose financial reports before their inclusion within the Standard.

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?

- Please see our response to question 11(j).

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?

- We have not carried out a cost benefit analysis on the proposals set out in either of the Exposure Drafts. However, we would expect significant development, implementation and maintenance costs, as they relate to supporting regulatory frameworks, to be borne by jurisdictions.
- Consultation with our various stakeholders has indicated that costs will be incurred with respect to implementing or strengthening reporting systems and internal controls for the collection and production of relevant data.
- The proposed disclosure requirements are extensive and represent a step-change, especially for smaller entities who have not prepared similar disclosures in the past and therefore will need to implement new systems.
- Conversely, the cost for larger entities is likely to be higher given their complex value and supply chains and the need to collect data from third-party sources.
- This might include the consolidation of information at group level, which would require the implementation of new reporting structures that are consistent across the group.

- When completing a cost-benefit analysis it is essential to assess the proportionality of anticipated costs.
- Further, given the high-level of uncertainty for some sustainability-related matters, it is likely that ongoing costs will be incurred where methods of calculation are improved and estimates are refined.
- Entities may also have the additional expense associated with having their sustainability-related financial disclosures assured.
- We recommend that the ISSB field tests the proposals to better understand and quantify the costs, benefits and effects of applying them and explore a phased approach to the implementation of the proposed requirements.

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 that there are potential challenges with assurance in relation to scenario models and scope 3 emissions, given the quantum of inputs, level of estimation and variability in assumptions.
- Moreover, we note that these potential challenges could extend to defining and scoping the boundary of a reporting entity and how the scenarios used would interact with any related information reported in the financial statements.
- Clear disclosure of assumptions, limitations and uncertainties is particularly important to enable assurance to be obtained, and for users to understand the information.
- Assurance on this type of broader climate-related information is a developing field and we encourage continued collaboration with the IAASB as it undertakes a project to develop a standard for assurance of sustainability 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?

- The same effective date for both [DRAFT] IFRS S1 and S2 could be achievable.
- We also consider [DRAFT] IFRS S2 could be applied earlier than [DRAFT] IFRS S1 given the current urgency in relation to climate-related reporting. However, this needs to be considered in conjunction with our earlier comments around revisions to [DRAFT] IFRS S1.

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 question 13 of [DRAFT] IFRS S1.

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?

- Yes, we consider entities may be able to apply some disclosure requirements earlier than others.
- We suggest the need for transitional arrangements for metrics and targets given the challenges around data availability.

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)?

- We strongly endorse the need for the reporting standards to facilitate the development a consistent Taxonomy and digital reporting. The potential volume and complexity of sustainability reporting means a consistent Taxonomy and the ability for users to put digital technology to use in analysing and digesting the information is essential.

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?

- 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 corporate reporting system, from which assurance can be obtained on reported information, 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 are important between sustainability disclosure initiatives and financial accounting standard-setting and in our opinion the ISSB to be best placed to achieve these aims, given its connection the IASB.
- Many entities in this region 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 effectively and simply collect data and 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. Therefore, we consider it critical that the comprehensive global baseline provides entities with clarity about how the IFRS Sustainability Disclosure Standards interact and overlap with broader sustainability disclosure frameworks, such as the GRI.
- For completeness, whilst we support disclosure of industry specific metrics, we are concerned with the quantum of industry metrics included, for example, within [Draft] IFRS S2.
- We consider this could be prohibitive to widespread global adoption, particularly as further IFRS Sustainability Disclosure Standards are developed.
- 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 reports before their inclusion within the Standard.

Question 17 – Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

- We have no further comments.