29 July 2022

International Sustainability Standards Board
Columbus Building
7 Westferry Circus Canary Wharf
London
United Kingdom

By email: commentletters@ifres.org

General Requirements for
Disclosure of Sustainability-related Financial Information
and Climate related disclosures

The Australian Financial Markets Association (AFMA) represents the interests of over 120 participants in Australia's financial markets. Our members include Australian and foreign owned banks, securities companies, treasury corporations, traders across a wide range of markets and industry service providers. They are the major providers of wholesale banking and financial market services to Australian businesses and investors.

AFMA is responding to the International Sustainability Standards Board (ISSB) request for comment on ISSB *[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* and *[Draft] IFRS S2 Climate-related Disclosures*.

General objective supported

AFMA supports the general objective for standards to provide a comprehensive global baseline of sustainability-related disclosures designed to meet the information needs of investors in assessing enterprise value. While achieving this objective is desirable for a number of public policy reasons, principle of which is to support the Paris Agreement COP26 transition to net zero emissions, there is a huge task and challenge facing reporting entities to get access to the data that will enable reporting.

Data collection infrastructure is the fundamental building block on which reporting metrics and targets will rely. The settlement of consistent disclosure standards is essential for defining what data and systems need to be put in place. From an Australian perspective an efficient data collection infrastructure needs to be put in place which will require time and sequencing over a transition period. The current availability and reliability of data and methodologies will present a medium-term challenge. For Australia a phased approach to adoption across entity types, sectors and/or sizes will be needed.

Therefore, structured transition periods will be required for a range of specific clearly defined and bounded disclosures. The financial services sector is dependent on its customer base being able to report information for their dependent disclosures. This is particularly relevant to Scope 3 Climate disclosures, which are dependent on established reporting of Scope 1 emissions by clients of financial institutions.

Realistic path

While some Australian reporting entities such as large globally connected listed entities and heavy emitters are familiar with voluntary disclosure and are well placed to lead the way for the introduction of these new disclosure standards, the breadth of entities that would be required to report means that many others will require time to scale up their expertise and capacity. This ability to develop capability is not solely dependent on management decision making support but more critically on the significant human resource constraints in the Australian economy. At present there are simply not the trained staff available, both because of the general shortage of workers and the need to develop training courses and then train a cadre of people to do the required work.

Regardless of the desire to move expeditiously, the training process along with the development of data collection systems will take time. The financial services sector is more aware than other sectors given the volume of regulatory change it has dealt with over the last fifteen years of the enormous scale and realities of the task facing industry in making the proposed disclosure regime work.

The easy part of the task is setting the disclosure standards, the hard work lies in making them a reality. AFMA members are committed to the task on the basis that implementation recognises how long and hard the road will be and realistic compliance expectations that take account of realities are set.

Responses to consultation questions

AFMA's detailed responses to key questions in the consultation Exposure Drafts in the following attachment.

Please contact either David Love on +61 02 9776 7995 or by email at dlove@afma.com.au in regard to this letter.

Yours sincerely

David Love

David Love
General Counsel & International Adviser

AFMA Comments on Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

July 2022

<table>
<tr><th>Consultation Question</th><th>Response</th></tr>
<tr><td colspan="2">1. Overall Approach</td></tr>
<tr><td>Question 1.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?</td><td>The language of ‘all of the sustainability-related risks and opportunities to which the entity is exposed’ is unbounded and therefore problematic. There two apparent objectives in this:
1. The first is suggesting that there is a general framework for sustainability-related financial disclosures.
2. The second addresses transitional support until the full suite of standards is developed.

It is suggested that the two points are separated from one another to provide more clarity. The evolution of sustainability standards should be catered for, but during the initial transition period there needs to be a clearly defined and bounded set of sustainability-related risks.

The process for identifying significant sustainability-related risks and opportunities needs to be clear and objectively understood. The requirements do not meet this objective. To this end further work is required which goes beyond the investor community to identify the material/significant sustainability issues that entities are being asked to address at present. There needs to be a clearly defined set of risks that need to be looked to.</td></tr>
<tr><td>Question 1.b: Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?</td><td></td></tr>
<tr><td>Question 1.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?</td><td>If an issue is material reporting entity would look to the specific disclosure standards for reporting purposes, but the initial identification of issues should sit within S1 and be separate from S2 and future standards.</td></tr>
</table>

Consultation Question	Response
Question 1.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?	We support the objective that clearly set criteria would enable external assurance to occur. As presented, we do not think the Exposure Draft provides a suitable basis. The issue of assurance processes is considered to be a critical area of challenge with practical implementation of the requirements. S1 in its present state does not provide criteria that would provide enough clarity for an assurance process that would meet prospective rules-based compliance expectations in Australia.
2. Objective	
Question 2.a: Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?	The use of the adjective 'significant' in relation to disclosure of material information about all of the sustainability-related risks and opportunities detracts from clarity. The disclosure test based on what is 'significant' is a problem to Australian users and preparers. The concept of 'significant' is unclear. Use of the term under Australian corporate law has proved to be highly problematic as it requires reporting entities to determine the significance according to circumstances opening institution up to a high degree of compliance risk. It is noted that the concept of 'material'.
Question 2.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?	'Sustainability' is not defined. While we appreciate the concept can be differently understood by various stakeholders and achieving global consensus around this the term is central to reporting and meeting an assurance standard. Effort must be made to put boundaries around it subject to the possibility that its scope may change over time.
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?	Yes, from an Australian perspective in which the domestic AASB accounting standards are in accordance with IFRS Accounting Standards.

Consultation Question	Response
4. Core Content	
Question 4.a: Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?	The basis of alignment is the TCFD reporting principles. As the TCFD has already gained significant acceptance alignment of the disclosure objectives on this basis is supported. Account needs to be taken of the fact that governance, strategy and risk management are integrated into general frameworks for financial reporting and prudential regulation requirements and sustainability and climate are not, and should not, be treated as independent elements. They are part of a broader integrated framework and cannot be simply disaggregated.
Question 4.b: Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?	Generally, disclosure of governance, strategy, risk management and metrics and targets is being done by entities reporting under the TCFD principles. Strategy should be directed to measures to be undertaken by the entity and not demand release of commercially sensitive information to competitors. Again, the point is made that these fit within an integrated broader financial and prudential reporting framework. Specific content should not be required in regard to these matters.
5. Reporting Entity	
Question 5.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?	This is supported.
Question 5.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?	A reasonable expectation should be set for this requirement that does not demand excessive granularity and specificity.

Consultation Question	Response
Question 5.c: Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?	Account needs to be taken of situations where group consolidation might combine entities that are not normally consolidated at the local level. This is especially important in the case of financial institutions which use special purpose corporate entities as funding and capital holding vehicles which are not part of the normal course of business.
6. Connected Information	
Question 6.a: Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?	This is supported. However, it is not clear how this could be done. There should be guidance to help reporting entities understand how to do this.
Question 6.b: Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?	The idea that connectivity between thematic areas and between financial and non-financial is supported, but guidance is needed.
7. Fair Presentation	
Question 7.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?	This is an area for special Australian attention given local statutory requirements. The ability to present 'fairly' is dependent on bounded criteria within S1 to determine what are sustainability-related risks and opportunities. At present paragraphs 51-54 do not provide enough clarity around the considerations that would need to be taken into account to meet assurance and compliance expectations under rules-based standards in Australia. Aggregated reporting is the preferred basis.
Question 7.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.	Current wording presents a challenge as is too broad from a compliance perspective. Sources of guidance are framed in the Exposure Draft as a requirement to consider them all. This wording needs to be amended to reflect the intention that it is guidance to help identify sustainability issues and relevant disclosure metrics.

Consultation Question	Response
8. Materiality	
Question 8.a: Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?	This is not clear enough Materiality for sustainability matters has greater qualitative aspects compared to financial materiality. The Exposure Draft refers to the IAS 1 definition but qualifies this by saying it will vary as sustainability is different and also says it needs to be assessed in relation to enterprise value.
Question 8.b: Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?	In answer to this question we come back to our general theme that the Exposure Draft is too vague and that further work is required to identify sustainability-related risks and opportunities with clear criteria and boundaries and what would be material.
Question 8.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?	The Illustrative Guide is helpful but further development is needed to reflect our response to Question 8.b
Question 8.d: Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?	Yes, this is necessary, as there is a need to reconcile these disclosures with existing Australian law on corporate governance disclosure requirements.
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?	Over time this is a desirable objective but at present there are not the human and operational resources available in Australia to do this. The time gap initially should be limited.
10. Location of Information	
Question 10.a: Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?	This is supported subject to the answer in Question 9.

Consultation Question	Response
Question 10.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?	None identified for Australia.
Question 10.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?	The same answer to Question 9 qualifies this desirable objective that over time this is a desirable objective but at present there are not the human and operational resources available in Australia to do this.
Question 10.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?	The statement in the Exposure Draft should more clearly reflect the intention stated in Question 10.d.
11. Comparative information, sources of estimation and outcome uncertainty, and errors	
Question 11.a: Have these general features been adapted appropriately into the proposals? If not, what should be changed?	No comment.
Question 11.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?	Differences are likely to result from 'better' estimation methods not 'errors'. The rate of change will be significant in respect to methodology and modelling development and improvement as well as data acquisition, quality, and storage creation. These developments may enable more targeted scenario analysis or emissions factors in subsequent reporting periods and therefore could lead to disconnect in metrics from one reporting period to the next. The starting assumption is that given the need to build data collection systems for metrics which will take time and likely improve the ability to provide updated information in subsequent years for better comparative purposes as long as there are no compliance consequences flowing from such updates as long as they are clearly marked as such.

Consultation Question	Response
Question 11.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?	No comment.
12. Statement of Compliance	
The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards. Do you agree with this proposal? Why or why not? If not, what would you suggest and why?	IFRS and ISSB standards are applied through domestic law in Australia. This is a matter for domestic law implementation.
13. Effective Date	
Question 13.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.	ISSB standards would be applied through domestic law in Australia. This is a matter for domestic law implementation.
Question 13.b: Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?	The concept of 'relief' is a matter for domestic law implementation.
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?	Establishing a global baseline for disclosure is desirable.

Consultation Question	Response
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)?	In principle this is supported. However, systems and transition arrangements need to be put in place for this to occur.
16. Costs, benefits and likely effects	
Question 16.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?	The desirability of globally, consistent sustainability disclosure standards is being strongly articulated by the investor community and they will be the main beneficiary. Without exaggeration, the costs of implementing these standards will be truly enormous given that data collection systems need to be built from scratch in many cases and the range of entities is huge at a global scale. Using the baseline of other regulatory reporting reforms such as OTC Derivatives transaction reporting or the Consumer Data Right which had very clear defined sets of data collection points we are talking in terms of billions of dollars in initial system set up costs in one jurisdiction alone like Australia. The scale, challenge and time to do this cannot be underestimated. The beneficiaries who are the consumers of the reporting will enthusiastically push for further and faster, however, they will not bear the direct cost. This reporting will impose another additional costly regulatory burden on businesses. This is not to be read as opposition to the social desirability on setting out on this course but a clear headed note of realism needs to be sounded by those who will do the work and bear the cost of undertaking this project about expectations on how soon and how fast.

Consultation Question	Response
Question 16.b: Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?	As indicated in answer to Question 16.a these standards will impose a big regulatory burden on businesses. Beyond initial system establishment costs for data collection these need to be maintained on an ongoing business. Additional professional services fees will be incurred for the preparation of assurance reports as well as internal costs for the preparation of statements. The human resource element also needs to be taken into account. Staff need to be trained to professional levels of competence in a world which is facing serious staffing shortages in relation to regulatory reporting, compliance and assurance work.
17. Other Comments	
Do you have any other comments on the proposals set out in the Exposure Draft?	***Scalability*** In following on from the answers to Question 16 thought needs to be given to scalability. At present only major public companies prepare TCFD style reports. Given resource constraints, cost and complexity more thought needs to be given to how, and if, smaller businesses will be able to meet these disclosure requirements. While major financial institutions and public companies are familiar with the challenges of regulatory reporting and are embarked on voluntary reporting the general application of such disclosure across the sweep of incorporated businesses with vastly varying levels of sophistication needs to be taken into account. Again, realism needs to be applied to expectations.

AFMA Comments on Exposure Draft IFRS S2 Climate-related Disclosures

July 2022

Consultation Question	Our Response
• **Objective of the Exposure Draft**	
Question 1.a: Do you agree with the objective that has been established for the Exposure Draft? Why or why not?	AFMA supports the establishment by ISSB of a global baseline for disclosure and agrees that consistent and comparable disclosures are necessary.
Question 1.b: Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?	Yes
Question 1.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
• **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?	Climate governance disclosure needs to take account that it will be fitting with an existing general governance disclosure framework. This is particularly the case for financial institutions which are heavily regulated and sit under prudential rules. Governance is an integrated process and climate governance should not be, and it is difficult, to disaggregated it from it's the general governance framework.
• **Identification of climate-related risks and opportunities**	

Consultation Question	Our Response
Question 3.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?	Further consideration needs to be given to this in the context of financial institutions. Standard financial metrics of climate-risks to financial institutions can be subject to greater tail-risks than those of other financial risks. For example, in the case of credit risk, estimates of metrics such as probability-of and loss-given default only offer a central expectation of climate-related risks to either individual, or sets of, financial institutions. They may therefore provide only limited information on the tail-risks around these estimates, which in the case of climate-related risks can be particularly substantial. Metrics of financial institutions' exposures to climate-related risks are generally subject to greater uncertainty than those relating to other financial risks. This is partly because the drivers of climate-related risks arise from outside the financial system. Multiple layers of uncertainty therefore arise in their translation into economic variables.
Question 3.b: Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?	The current lists of topics is too expansive and are in excess of what can at present be reasonably produced. There should be a simple set of core requirements. Selection of the requirements should be based on a use case justification.
• **Concentrations of climate-related risks and opportunities in an entity's value chain**	
Question 4.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?	Large corporations and groups have multifaceted and complex supply chains. There needs to be guidance and realistic boundaries set for these disclosures. A preferred approach is to ask for how risks are identified and the processes for doing this. In addition, there are limitations on the level of disclosure that can be expected because this is an area of high commercial sensitivity and need for secrecy from competitors.

Consultation Question	Our Response
Question 4.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?	This should be qualitative based on processes for identification indicated in answer to Question 4a.
• **Transition Plans and Carbon Offsets**	
Question 5.a: Do you agree with the proposed disclosure requirements for transition plans? Why or why not?	Common scenarios need to be identified to make this workable and criteria set for credible carbon offsets.
Question 5.b: Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.	No comment
Question 5.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?	Realism is required in relation to this proposal. Considerably more work needs to be done on the quality of availability of carbons offsets for them to use in the way envisaged and on the global scale required.
Question 5.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?	See answer to Question 5.c
• **Current and Anticipated Effects**	
Question 6.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?	There needs to be established methodologies for doing the modelling. Estimations may produce very different outcomes.

Consultation Question	Our Response
Question 6.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?	Assessing financial institutions' exposures to climate-related risks first requires data on the exposures of financial institutions' assets and liabilities to such risks. While such information can be partially obtained from proprietary firms or some supervisory datasets it is still far from a fully developed date source system.
Question 6.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?	While greater confidence can be placed in near term disclosures as these move out over the medium and longer term much higher uncertainty will make the quality of such disclosure problematic. The exposure of the financial institutions to climate-related risks is subject to substantial uncertainty. The underlying drivers of climate-related risks, including the future path of emissions, are themselves highly uncertain. Estimates of increases in global temperatures and changes in both the physical and transition risks also vary considerably. The potential impact of the crystallisation of such risks on a financial institution and the financial market more generally is subject to considerable tail risks. These multiple layers of uncertainty mean that the impact of climate-related risks on the financial system is subject to uncertainty that may exceed that concerning other types of financial risk.
• **Climate Resilience**	
Question 7.a: Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?	Yes

Consultation Question	Our Response
Question 7.b: The Exposure Draft proposes that if an entity is unable to perform climate related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy. (i) Do you agree with this proposal? Why or why not? (ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not? (iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14© and if so, why?	Scenario analysis of climate-related risks differs substantially to other types of stress testing. Time horizons need to be longer, risks are highly non-linear and dependent on short-term policy actions, and back-testing is hard or impossible because of limited past data. A balance needs to be struck between the need for standardised scenarios, versus the need to tailor to the specifics of risks faced by different reporting entities.
Question 7.c: Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?	No comment
Question 7.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?	No comment
Question 7.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?	No comment
• **Risk Management**	

Consultation Question	Our Response
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?	The primary purpose of disclosing risk management processes is to provide context for how the reporting entity thinks about and addresses the most significant risks to successfully executing its business objectives and accomplishing its strategy. Climate change considerations would be appropriately included in the elements of risk management processes consistently and proportionately, taking into account other risks to which the risk management analysis applies. This implies that interconnections between climate-related risks and other risks should be considered as part of an integral process where the existing elements are applied to a limited business or strategic planning horizon which has realistic validity in the near term but becomes more speculative into the medium term. This is the key point of challenge and distinction in doing so as integration would have to take account of the longer time horizons over which climate-related risks might materialise.
• **Cross-industry metric categories and greenhouse gas emissions**	
Question 9.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?	Metrics of financial institutions’ exposures to climate-related risks are generally subject to greater uncertainty than those relating to other financial risks. This is partly because the drivers of climate-related risks arise from outside the financial system. Multiple layers of uncertainty therefore arise in their translation into economic variables. Modelling the impact of these estimates on the future values of assets and liabilities of financial institutions introduces further uncertainty. There needs to be further consideration of transitional arrangements for these disclosures to support entities to continually improve their disclosures but recognising the challenges of accessing the required data within the timeframe

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<tr><th>Consultation Question</th><th>Our Response</th></tr>
<tr><td>Question 9.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.</td><td>There is a lack of reliable historical data with which to assess the accuracy of metrics of climate-related risks. Financial models that infer the impact of vulnerabilities on financial institutions generally rely on past data on their past impact. In order to ensure such inferences are robust, such past data needs to be extensive in its history and consider multiple instances of the crystallisation of risks. However, in the case of climate-related risks, historical observations of the impact of climate-related risks on financial institutions are very limited.</td></tr>
<tr><td>Question 9.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?</td><td>The main advantage of using GHG accounting is that a single metric can be used to encompass an entire portfolio rather than just segments of the portfolio at the asset class level. However, multi-asset portfolios are more difficult.

Data for financial institutions’ exposures to transition risks are also subject to numerous gaps. GHG emissions data are still generally not available at the level of individual firms, and those data that are available are in some cases limited to Scope 1 (direct) GHG emissions, rather than capturing emissions across their value chains.

There are still significant challenges facing application of the GHG Protocol: namely
Emissions data availability.
Inability to track “green” activities directly (except through avoided emissions accounting).
Lack of accounting standard and agreement on some measurement issues.
Data availability and confidentiality issues outside listed companies and projects.
Difficult to apply to off–balance sheet services.</td></tr>
<tr><td>Question 9.d: Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?</td><td>For financial institutions disaggregation of such data would not be possible.</td></tr>
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<tr><td>Question 9.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?</td><td>For financial institutions such separate disclosure would have little purpose given the closely linked internal financial support within their groups.</td></tr>
<tr><td>Question 9.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?</td><td>Disclosures of Scope 1 and 2 emissions are generally more available than those of Scope 3. This is likely due to difficulties encountered by reporting firms in calculating emissions across the entirety of their value chain.</td></tr>
<tr><td colspan="2">• Targets</td></tr>
<tr><td>Question 10.a: Do you agree with the proposed disclosure about climate-related targets? Why or why not?</td><td>This is challenging as there is a lack of standardised metrics with which to calculate and characterise targets for reducing climate-related risks.</td></tr>
<tr><td>Question 10.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?</td><td>We suggest that greater certainty is needed and to identify the Paris Agreement as the baseline source of international agreement.</td></tr>
<tr><td colspan="2">• Industry-based requirements</td></tr>
<tr><td>Question 11.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?</td><td>• Whilst we support disclosure of industry specific metrics and a common global baseline, we are already concerned with the volume of SASB industry metrics within S2 and therefore consider this could be prohibitive to adoption within jurisdictions, particularly as more standards are developed.
• Further, the choice of metrics for industries reflects the US market and therefore those metrics are less relevant in other jurisdictions such as Australia.
• We recommend that industry metrics are encouraged rather than specified, with SASB metrics suggested as a source of industry metrics.</td></tr>
</table>

Consultation Question	Our Response
Question 11.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?	Supported
Question 11.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?	Supported
Question 11.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?	Cross-industry requirement to disclose Scope 3 emissions would be sufficient.
Question 11.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?	Exposures to the four 'carbon-related 'non-financial groups: energy; transportation; materials and buildings; and agriculture, food, and forest products with the list of industries associated with these groups is indicative and needs to be considered further in the context of an economy like Australia.
Question 11.f: Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?	No comment
Question 11.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?	No comment
Question 11.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?	For financial institutions Scope 3 is a longer-term reporting goal as it is dependent on Scope 1 and 2 reporting information becoming available to them from their whole client base.

Consultation Question	Our Response
Question 11.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?	No comment
Question 11.j: Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?	No comment
Question 11.k: Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general-purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.	No comment
Question 11.l: In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?	No comment
• **Costs, benefits and likely effects**	

Consultation Question	Our Response
Question 12.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?	The desirability of globally, consistent climate disclosure standards is being strongly articulated by the investor community and they will be the main beneficiary. Without exaggeration, the costs of implementing these standards will be truly enormous given that data collection systems need to be built from scratch in many cases and the range of entities is huge at a global scale. Using the baseline of other regulatory reporting reforms such as OTC Derivatives transaction reporting or the Consumer Data Right which had very clear defined sets of data collection points we are talking in terms of billions of dollars in initial system set up costs in one jurisdiction alone like Australia. The scale, challenge and time to do this cannot be underestimated. The beneficiaries who are the consumers of the reporting will enthusiastically push for further and faster, however, they will not bear the direct cost. This reporting will impose another additional costly regulatory burden on businesses. This is not to be read as opposition to the social desirability on setting out on this course but a clear headed note of realism needs to be sounded by those who will do the work and bear the cost of undertaking this project about expectations on how soon and how fast.
Question 12.b: Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?	As indicated in answer to Question 12.a, these standards will impose a big regulatory burden on businesses. Beyond initial system establishment costs for data collection these need to be maintained on an ongoing business. Additional professional services fees will be incurred for the preparation of assurance reports as well as internal costs for the preparation of statements. The human resource element also needs to be taken into account. Staff need to be trained to professional levels of competence in a world which is facing serious staffing shortages in relation to regulatory reporting, compliance and assurance work.
Question 12.c: Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?	No comment
• **Verifiability and enforceability**	

Consultation Question	Our Response
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.	No comment
• **Effective date**	
Question 14.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?	No comment
Question 14.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.	No comment
Question 14.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?	No comment
• **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)?	In principle this is supported. However, systems and transition arrangements need to be put in place for this to occur.
• **Global Baseline**	

Consultation Question	Our Response
Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?	No comment
• **Other Comments**	
Do you have any other comments on the proposals set out in the Exposure Draft?	