



Investor
Group on
Climate
Change

**Comment letter – Exposure Draft ED SR1
Australian Sustainability Reporting
Standards – Disclosure of Climate-related
Financial Information**

1 March 2024

About the Investor Group on Climate Change

The Investor Group of Climate Change (IGCC) is the leading network for Australian and Aotearoa New Zealand investors to understand and respond to the risks and opportunities of climate change. IGCC has over 100 members. They include our countries' largest superannuation and retail funds, specialist investors and advisory groups, and their beneficiaries include more than 14.8 million Australians, and millions more New Zealanders. Our members have more than \$35 trillion in global AUM, and almost \$5 trillion in local AUM.

About the Consultation

The Australian Accounting Standards Board (AASB) is seeking public comment on its proposals in Exposure Draft ED SR1 for new Australian Sustainability Reporting Standards (ASRS)¹, focused on the disclosure of material climate-related financial information.²

Overview and summary of response

IGCC supports the AASB's efforts to develop the Australian standards for the disclosure of climate-related financial information aligned with and building on the baseline developed by the International Sustainability Standards Board (ISSB).

Climate change is a systemic risk to the economy and presents both financial risks and opportunities for investors' portfolios. Managing climate risk requires good data on material impacts, consistently reported to agreed standards and a clear articulation of the strategic steps being taken in response. Given the nature of the threats posed by climate change, it also requires a forward looking analysis of the potential scenarios likely to be faced by the company and potential financial impacts.³ The inclusion of scope 3 emissions data is a critical element for assessing material risk and opportunity across the value chain.

Reporting against internationally aligned standards will improve transparency and ensure consistent, high quality information – making it more useful for decision-making, risk assessment, portfolio management and company engagement.

Disclosures by companies and investors can also be a central tool for regulators to inform policy, financial supervision and stability, by improving understanding and visibility over the system-wide implications of decarbonisation, as well as the physical impacts of climate change.

¹ [draft] ASRS 1 General Requirements for Disclosure of Climate-related Financial Information, developed using IFRS S1 as the baseline but with a scope limitation to climate-related financial disclosure; [draft] ASRS 2 Climate-related Financial Disclosures, developed using IFRS S2 as the baseline; and [draft] ASRS 101 References in Australian Sustainability Reporting Standards, developed as a service standard that would be updated periodically to list the relevant versions of any non-legislative documents published in Australia and foreign documents that are referenced in ASRS Standards.

² The draft standards are based on IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* developed by the International Sustainability Standards Board (ISSB), with modifications for the Australian context and policy objectives of the Australian Government.

³ [IGCC 2020, Full disclosure, improving corporate reporting on climate risk.](#)

As major markets mandate climate-related financial disclosures including the European Union, Hong Kong, Japan, Singapore, United Kingdom, California, Canada, New Zealand, Brazil, United States and others, these new requirements will help Australia remain a competitive destination for investment capital.

The AASB plays a critical role in the process in developing internationally aligned standards and accompanying guidance to underpin relevant and decision useful disclosures.

Recommendation: Promote international alignment - review Australian-specific considerations to be additive to the ISSB baseline where practical, rather than replacing or changing the meaning of provisions.

A focus on international alignment and interoperability is essential to promote efficient reporting and capital flows towards climate solutions. This is particularly important for investors and companies operating across multiple jurisdictions.

To ensure interoperability across companies and jurisdictions, balancing overarching objectives and the needs of various reporting entities and users will be best achieved by building in optionality where practical, rather than removing or deviating from the ISSB IFRS S1 and IFRS S2 baseline.

This includes, for example:

- Maintaining the structure and baseline integrity of IFRS S1 and IFRS S2
- Keeping provisions related to industry-based metrics building on IFRS, rather than removing them.
 - Considering topics and metrics most closely related to the business model and operations helps companies to identify and disclose relevant and decision useful information.
- Allowing NGER reporters and other entities to align with NGER methodologies for measuring operational scope 1 and 2 emissions, while not extending this in a way that burdens non-NGER reporting entities already applying the GHG Protocol.
- Amending relevant descriptions and definitions to incorporate the wider range of entities captured, particularly superannuation entities that may not have been considered by the ISSB.

This additive approach which builds in flexibility to address the needs of Australian entities including NGER reporters will give Australia the best chance to meet needs of some domestic companies including those with international operations, promote international alignment, and support companies to continue to attract the capital they need in globally competitive markets.

Recommendation: expand provisions for the use of scenario analysis to include at least three future states, adding a “3°C or more” scenario to assess physical climate risks.

- In the latest scenarios by a group of 127 central banks and financial supervisors, even if warming is limited to 1.5°C, the costs of physical climate impacts to the global economy are (conservatively) five times higher than the cost of reducing emissions⁵ and around double the

cost of other global events like COVID-19. Under current policies, economic costs of climate change are more than 10 times the cost of a 1.5°C emissions pathway.

- Higher warming scenarios⁴, provide an indication of more extreme climate impacts and improve the ability to consider and compare the likely impact of more extreme impacts of climate change (at the reporting entity level as well as in aggregate) over the medium and long term.
- This would bring Australia’s provisions on use of scenario analysis in line with New Zealand.⁵ It does not limit a company’s discretion to apply scenarios most relevant to its business activities. IGCC supports the ability for reporting entities to take an approach that is proportionate and relevant to their circumstances. For many entities this may involve a qualitative, narrative based approach.

Recommendation: Make appropriate modifications for inclusion of superannuation entities and develop supporting guidance.

As the long-term custodians of retirement funds, superannuation entities have a fiduciary duty to deliver long-term returns for their beneficiaries that are commensurate with the level of risk taken. Due to its systemic nature, climate change poses a financial investment risk to the long-term retirement savings of millions of Australians, which can be moderated by acting to reduce emissions and improve resilience in an orderly and just way.

Australian superannuation entities are actively considering material climate-related financial risks and opportunities in their portfolios, taking actions in response, and increasingly reporting in line with recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD).⁶

In preparing TCFD reporting, superannuation funds and asset managers consider the usefulness and clarity of this information for their beneficiaries and clients, respectively.

In developing global baseline standards building on the TCFD, the ISSB focused on activities of profit-oriented businesses and did not consider the activities of superannuation entities (or pension funds more broadly) and the audiences they report to (such as their beneficiaries and potential beneficiaries).

This has meant that, for example, the definition of “primary user” within the ISSB standard does not effectively apply to superannuation funds.

However, IGCC recognises that many of the considerations in IFRS S1 and IFRS S2 which build on TCFD recommendations are relevant for reporting by superannuation entities.

IGCC would observe that some modifications and additional guidance are needed to cater for the nature of superannuation activities and needs of users, which are unique to the objectives and primary users of reporting by profit-oriented entities.⁷

⁴ The NFGS hot house world scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise. See further <https://www.ngfs.net/ngfs-scenarios-portal>

⁵ [Aotearoa New Zealand Climate Standard \(NZ CS 1\), para 13.](#)

⁶ IGCC’s [recent survey](#) of institutional investors showed 56 per cent of asset owner respondents completed annual reporting aligned with recommendations of the Taskforce for Climate-related financial disclosure, with another 16% stating they planned to in 2023.

⁷ We have considered the detailed assessment by ACSI on application to superfunds, which identifies the need for some minor modifications and highlights areas for further guidance.

- Modifications include:
 - Adding a definition of “users” for reporting superannuation entities that captures beneficiaries aligned with AASB1056.⁸
 - Adding “superannuation” activities along with banking, asset management, and insurance to ensure they are captured in financed emissions disclosure requirements
- Guidance should be developed for superannuation entities in close consultation with industry to guide reporting catered to their activities and the needs of users, including covering matters such as:
 - Methodologies for disclosing financed emissions and case studies drawing on current superannuation entity good practice.
 - More granular recommendations for disclosing relevant activities such as investment approaches, stewardship activities (engaging with companies, voting on climate resolutions etc), and scenario analysis in the context of assessing investment portfolios.
 - Considerations for materiality and proportionality for superannuation entities to enhance targeted and relevant disclosures for end users.

Industry-specific guidance for asset managers will be similarly important especially on financed emissions. For example, on considerations for measurement and reporting methodologies, reporting at a firm vs fund level and navigating data challenges for reporting reliable, consistent and comparable data. The TCFD’s survey on reporting by asset manager and asset owners provides valuable insights into global trends and issues for climate-related reporting by investors.⁹

For further information and to discuss, please contact:

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⁸ [AASB 1056](#) BC12 identifies the most prominent users of general purpose financial statements of superannuation entities as current and potential members and beneficiaries, parties that act on behalf of members and beneficiaries, such as financial analysts, advisors and unions, and employer-sponsors.

⁹ TCFD 2022, Summary of asset manager and asset owner survey results:
<https://assets.bbhub.io/company/sites/60/2022/11/2022-asset-manager-and-asset-owner-survey-summary.pdf>

Table of AASB Matters for comment and IGCC response

Matters for comment	IGCC Response
<p>Presenting the core content of IFRS S1 in [draft] ASRS Standards</p>	
<p>Question 1</p> <p>In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:</p> <p>(a) Option 1 – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2;</p> <p>(b) Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards;</p> <p>(c) Option 3 – two ASRS Standards, by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1 (which is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in this Exposure Draft); or</p> <p>(d) another presentation approach (please provide details of that presentation method)?</p> <p>Please provide reasons to support your view.</p>	<p>Of options 1-3, IGCC recommends option 2 is preferable to best promote international alignment.</p> <p>Additionally, IGCC would recommend maintaining wider references to “sustainability-related” disclosures in IFRS S1 to promote voluntary adoption aligned with ISSB baseline standards, and prepare for future reporting standards beyond climate.</p> <p>IGCC supports the policy intent of full adoption of ISSB’s IFRS S1 and S2 as a baseline for profit-oriented company reporting, with modifications building on the baseline. Amendments will also be necessary to ensure the Standards can be appropriately applied to a wider range of entities captured by reporting requirements (see response at question 21).</p> <p>IGCC cautions against removing parts of the Standards or restructuring them. This will risk compromising the integrity of the baseline and adding complexity for both reporters and users operating across markets.</p> <p>Australian-specific considerations should be additive, rather than replacing or changing the meaning of provisions.</p> <p>This includes, for example:</p> <ul style="list-style-type: none"> • Maintaining the structure and integrity of IFRS S1³ and IFRS S2, rather than moving parts of IFRS S2 into IFRS S1 and subsequently deleting them from IFRS S2. • Keeping provisions related to industry-based metrics intact, rather than removing them as currently proposed. • Allowing NGER reporting entities to continue aligning with NGER methodologies for measuring scope 1 and 2 emissions, while not overextending this application to reporting entities that are not NGER reporters. <ul style="list-style-type: none"> ○ This should also recognise that NGER reporting entities may need to consider reporting approaches under the GHG Protocol based on equity share or financial control, which can provide a more comprehensive view of risk and liability throughout supply and value chains, in addition to the operational control approach required under NGER. • Amending relevant descriptions and definitions to incorporate the wider range of entities captured.

Matters for comment	IGCC Response
Replacing duplicated content with references to the Conceptual Frameworks	
<p>Questions 2</p> <p>Do you agree with the AASB’s approach to make references to its Conceptual Framework for Financial Reporting (in respect to for-profit entities) and the Framework for the Preparation and Presentation of Financial Statements (in respect to not-for-profit entities) instead of duplicating definitions and contents of those Frameworks in [draft] ASRS 1 and [draft] ASRS 2? Please provide reasons to support your view.</p>	<p>IGCC supports the proposed approach to cross reference Australian-specific frameworks.</p> <p>Further steps are needed to include a definition of primary users of reporting by superannuation entities that captures beneficiaries as the main users of reporting (see further question 20).</p>
Entities that do not have material climate-related risks and opportunities	
<p>Question Q3</p> <p><i>The AASB is proposing that if an entity determines that there are no material climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects, the entity shall disclose that fact and explain how it came to that conclusion (see paragraphs BC34–BC36).</i></p> <p>Do you agree with the proposed requirements in [draft] ASRS 1 paragraph Aus6.2 and [draft] ASRS 2 paragraph Aus4.2? Please provide reasons to support your view.</p>	<p>IGCC supports this measure which builds on the ISSB baseline to provide users with information about how the entity has considered and assessed climate risks.</p> <p>Currently, entities that do not report material climate risks and opportunities, either do so because:</p> <ul style="list-style-type: none"> a) They have not considered them, or b) They have considered them have concluded they are not material. <p>The requirement to explain how the entity came to its conclusion is a practical step to enhance transparency and encourage consideration of climate-related risks and opportunities.</p>
Modifications to the baseline of IFRS S1 for [draft] ASRS 1	
<i>Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards</i>	
<p>Question 4</p> <p><i>As noted in paragraphs BC39–BC41, the AASB is proposing to remove from IFRS S1 and IFRS S2 the requirement for an entity to consider the applicability of SASB Standards and references to Industry-based Guidance on Implementing IFRS S2 issued by the ISSB developed based on SASB Standards. This is mainly because:</i></p>	<p>IGCC recommends provisions for considering industry-based metrics are included in Australian requirements from the outset. Industry-based metrics in addition to cross-industry metrics are important to support disclosure of comparable information most relevant to the company’s business model. Companies generally both want to and are expected by investors to consider and disclose information most relevant to their industry.</p>

Matters for comment	IGCC Response
<p><i>(a) the ISSB's public consultation period was too short for Australian stakeholders to appropriately consider the proposals in Appendix B to [draft] IFRS S2 (issued by the ISSB as Industry-based Guidance on Implementing IFRS S2) and for the AASB to appropriately apply its own due process;</i></p> <p><i>(b) not all of the proposals in Appendix B to [draft] IFRS S2 are related to climate-related risks and opportunities; and</i></p> <p><i>(c) the SASB Standards are US-centric and not representative of the Australian or global market.</i></p> <p>Do you agree with the AASB's views noted in paragraphs BC39–BC41? Please provide reasons to support your view.</p>	<p>Provisions relating to industry-based metrics in IFRS S2 are flexible to allow reporting entities to consider the applicability of industry-based metrics set out in supporting guidance. This flexibility alleviates concerns that some metrics may not be suitable for Australian companies.</p> <p>Cutting out parts of IFRS S2 related to industry-based metrics detracts from the policy intention of full adoption of the ISSB's IFRS S2 baseline and creates an unnecessary barrier to producing quality and comparable disclosures.</p>
<p>Question 5</p> <p>Do you agree with the AASB's view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC? Please provide reasons to support your view.</p>	<p>The Standards should support entities exploring industry-specific reporting topics and metrics that they feel are most relevant and decision useful.</p> <p>If the AASB includes a statement to this effect, it should be clear that industry-based metrics are relevant and useful, and should not unintentionally discourage entities from considering them.</p> <p>ASRS 1 and ASRS 2 should maintain baseline alignment with IFRS, while adding additional clarifications where appropriate.</p> <p>IGCC notes that ANSIC is only an industry classification tool, it does not provide guidance on appropriate industry specific climate-related information.</p> <p>In contrast, the IFRS S2 industry-based guidance is focused on relevant climate and sustainability-related information. The emphasis needs to be placed on the sustainability-related information relevant to a sector, rather than the sector classifications themselves.</p> <p>IGCC acknowledges gaps and some sectors may need further guidance. Where this is the case, the standard would appropriately prompt disclosing entities to disclose this – providing useful information on data challenges. Whereas excluding provisions prompting entities to consider industry-based information only prolongs the challenge.</p>

Matters for comment	IGCC Response
	<p>The benefit of having a common, standardised approach as a baseline is it that it helps to provide a starting point for consistent and comparable disclosures. This is what IFRS S2 seeks to achieve, rather than limit entities to only consider IFRS sector-based guidance of SASB Standards to the exclusion of all else.</p>
<p>Question 6</p> <p>Do you consider that ASRS Standards should expressly permit an entity to also provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards)? Entities are able to provide additional disclosures provided that they do not obscure or conflict with required disclosures. Please provide reasons to support your view.</p>	<p>IGCC supports the ability for reporters to provide disclosures based on a range reporting frameworks, which can enhance the quality and completeness of disclosures.</p> <p>As noted above at question 5, IGCC urges the AASB to maintain requirements related to industry-based considerations, noting they already include the flexibility for entities to only use metrics which they deem relevant and appropriate.</p> <p>Guidance or explanatory material could then clarify that entities may also provide disclosures based on other relevant frameworks.</p>
<p><i>Disclosing the location of the entity's climate-related financial disclosures</i></p>	
<p>Question 7</p> <p><i>As noted in paragraphs BC43–BC45, in its second consultation Treasury proposed to require entities to include an index table in its annual report that displays climate-related financial disclosure requirements (i.e. governance, strategy, risk management, and metrics and targets) and the relevant disclosure section and page number. Feedback to that consultation indicated that there was overall support for such an index table and that it would provide useful information to users.</i></p> <p>Instead of requiring a detailed index table to be included in GPFR, the AASB added paragraph Aus60.1 to [draft] ASRS 1 to propose requiring an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures. Do you agree with that proposed requirement? Please provide reasons to support your view.</p>	<p>IGCC agrees with the proposed requirement noting it builds on the ISSB baseline and strikes an appropriate balance between achieving the objective of readability with allowing prepare discretion and judgement. In many cases a detailed index table may helpful, and guidance on Aus60.1 could help to provide relevant examples.</p>

Matters for comment	IGCC Response
<i>Interim reporting</i>	
<p>Question 8</p> <p><i>Treasury staff observed that the feedback received on the second consultation paper indicated there was a significant degree of confusion over whether interim reporting of climate-related financial disclosures would be mandatory, since IFRS S1 included optional requirements on interim reporting. As noted in paragraph BC46, to help avoid creating confusion around interim reporting the AASB is proposing to omit the following IFRS S1 paragraphs in [draft] ASRS 1:</i></p> <p><i>(a) IFRS S1 paragraph 69, which requires an entity electing to prepare interim reports to comply with IFRS S1 paragraph B48; and</i></p> <p><i>(b) IFRS S1 paragraph B48, which provides guidance on the content of interim disclosures should an entity elect to prepare interim reports.</i></p> <p>Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view.</p>	<p>IGCC acknowledges that this paragraph needs to be considered in the context of the Australian regulatory framework for mandatory interim financial reporting.</p> <p>Where practical, IGCC recommends addressing the observed confusion through explanatory materials or further clarification within the standard¹⁰, rather than cutting it out. For example, by noting that interim updates of sustainability-related reporting are voluntary.</p>
<p>Modifications to the baseline of IFRS S2 for [draft] ASRS 2</p>	
<p><i>Scope of [draft] ASRS 2</i></p>	
<p>Question 9</p> <p><i>IFRS S2 applies to climate-related risks and opportunities within the context of climate change. As</i></p>	<p>It would be more practical to address this clarification through explanatory materials, rather than within the standard. Inclusion within the standard risks adding additional confusion.</p>

¹⁰ See ACSI comment letter to AASB on ED SR1.

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<p><i>noted in paragraphs BC49–BC50, feedback to ED 321 highlighted that there was a significant degree of confusion on what was meant by “climate” and the boundary of [draft] IFRS S2. Given that IFRS S2 makes no reference to climate-related financial disclosures beyond climate change or other climate-related emissions, the AASB decided to add paragraph Aus3.1 to [draft] ASRS 2 to clarify the scope of the Standard—that [draft] ASRS 2:</i></p> <p><i>(a) is limited to climate-related risks and opportunities related to climate change; and</i></p> <p><i>(b) does not apply to other climate-related emissions (e.g. ozone depleting emissions) that are not greenhouse gas (GHG) emissions.</i></p> <p><i>That scope statement would also clarify that [draft] ASRS 2 does not replace existing legislation or pronouncements prescribing reporting requirements related to other sustainability-related topics (e.g. water and biodiversity).</i></p> <p>Do you agree with the proposal in [draft] ASRS 2 paragraph Aus3.1 to clarify the scope of the [draft] Standard? Please provide reasons to support your view.</p>	
<i>Climate resilience</i>	
<p>Questions 10 and 11</p> <p><i>IFRS S2 does not prescribe the number of scenarios an entity is required to assess to meet the disclosure objective of IFRS S2 paragraph 22.</i></p> <p><i>As noted in paragraphs BC51–BC54, the AASB considered the Treasury’s second consultation paper and added paragraph Aus22.1 to [draft] ASRS 2 to propose requiring an entity required by the Corporations Act 2001 to prepare climate-related financial disclosures to disclose its climate resilience assessments against at least two possible future</i></p>	<p>Question 10</p> <p>IGCC strongly supports the inclusion of 1.5°C aligned scenario, and other scenario, and recommends adding a 3rd scenario that is a “3 °C or more” scenario to support companies to consider physical risks in their resilience assessments.</p> <p>Question 11</p> <p>Using scenario analysis for assessing the largest systemic risks from climate change should not be optional. The latest scenarios by a group of 127 central banks and financial supervisors indicate</p>

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<p><i>states, one of which must be consistent with the most ambitious global temperature goal set out in the Climate Change Act 2022 (i.e. 1.5°C above pre-industrial levels).</i></p> <p><i>The global temperature goal set out in paragraphs 3(a)(i) and 3(a)(ii) of the Climate Change Act is to contribute to “holding the increase in the global average temperature to well below 2°C above pre-industrial levels; and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.” To avoid entities incurring unnecessary costs and effort in determining which temperature goal to select within the range of 1.5°C and below 2°C above pre-industrial levels, the AASB decided to specify the most ambitious global temperature goal set out in the Climate Change Act (i.e. 1.5°C above pre-industrial levels).</i></p> <p><i>Consistent with the ISSB’s reasons, the AASB decided not to specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis, which mainly assesses climate-related physical risks.</i></p> <p><i>This is because scenarios used in assessing physical risk would depend on the entity’s facts and</i></p>	<p>that even if warming is limited to 1.5°C the costs of physical climate impacts to the global economy are (conservatively) five times higher than the cost of reducing emissions¹¹</p> <p>Under current policies, economic costs of climate change are more than 10 times the cost of a 1.5°C emissions pathway.</p> <p>IGCC recommends that the currently proposed provisions for use of scenario analysis¹² are extended to include at least <i>three</i> future states, adding a 3 °C or more scenario.¹³</p> <p>This would bring Australia’s provisions on use of scenario analysis in line with New Zealand.¹⁴ It would provide clarity to companies that a 3 °C or more scenarios should form part a company’s approach to assessing its exposure and resilience to material physical risks.</p> <p>Entities circumstances – relevance, proportionality and qualitative scenarios</p> <p>Including a “3 °C or more” scenario does not limit a company’s discretion to apply scenarios most relevant to its business activities. Ensuring the inclusion of a current policies or hot house scenario¹⁵ improves the ability to consider the more severe potential impacts of climate change (both at an individual entity and aggregated level) over the medium and long term.</p> <p>Recognising the breadth of reporting entities captured IGCC supports the ability for entities to take an approach that is proportionate and relevant to the circumstances of the entity, as currently provided in IFRS S2 and draft ASRS 2.</p> <p>IGCC notes qualitative narrative based scenarios can provide valuable insights, and encourage guidance on the benefits on qualitative scenario analysis.</p>

¹¹ Explore the NGFS scenarios [here](#):: see further [IMF, December 2023 Benefits of accelerating the climate transition outweigh the costs.](#)

¹² That entities should use at least two future scenarios and one must align with the most ambitious temperature goal in the Climate Change Act 2022 (Cth) (ie. limiting global warming to 1.5 degrees Celsius.)

¹³ Investors expect to see a wider range of scenarios, including an orderly transition to 1.5°C, an abrupt or delayed transition (1.5°C to 2°C), current policies (3+°C) and high case (4+°C) scenario, as well as disclosure of rationale for bespoke scenarios. Of these, the lower and upper ends are particularly important to assess resilience. The delayed disorderly scenario vs an orderly transition also helps entities asset risks and opportunities in an environment with sudden policy shifts which seek to reduce emissions on steeper trajectory and can cause increased transition risks.

¹⁴ [Aotearoa New Zealand Climate Standard \(NZ CS 1\), para 13.](#)

¹⁵ The NFGS hot house world scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise. See further <https://www.ngfs.net/ngfs-scenarios-portal>.

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<p><i>circumstances, including the nature and location of its operations.</i></p> <p>Q1. Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.</p> <p>Q11. Do you agree with the AASB's view that it should not specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis? Please provide reasons to support your view.</p>	<p>Sector specific guidance will help to draw out considerations relevant to the circumstances of different entities, and approaches to lighter touch scenario analysis permitted within the reporting standard.</p> <p>Guidance for superannuation entities and asset managers would draw out the differences in methodologies, limitations and outcomes of scenario analysis performed by universal asset owners with a diversified portfolio of assets, in contrast to a company operating in one sector.</p> <p>Inputs, assumptions, and limitations</p> <p>IGCC notes IFRS S2 paragraph 22 requires entities to disclose information on inputs and assumptions used for scenario analysis.</p> <p>IGCC encourages guidance by the AASB and others to note the need to address limitations within this disclosure. Describing limitations both demonstrates understanding on the side of the entity but also allows those reading the disclosures to better understand their usefulness. For example, limitations in existing scenarios may make it challenging to adequately capture potential financial damage from the physical impacts of climate change.</p>
<p><i>Cross-industry metric disclosures (paragraphs 29(b)–29(g))</i></p>	
<p>Question 12</p> <p>Do you consider the cross-industry metric disclosures set out in paragraphs 29(b)–29(g) of IFRS S2 (and [draft] ASRS 2) would provide useful information to users about an entity's performance in relation to its climate-related risks and opportunities? Please provide reasons to support your view.</p>	<p>The inclusion of cross sector metrics enhances the consistency and comparability of disclosures, improving the quality of decision useful information for users. These cross-sector metrics are well established based on the TCFD recommendations and should be maintained in ASRS 2.</p>
<p><i>Cross-industry remuneration disclosure (paragraphs 29(g) and Aus29.1)</i></p>	
<p>Question 13</p> <p><i>AASB members formed two views regarding whether to require Australian entities to disclose the following information as set out in [draft] ASRS 2 paragraph 29(g):</i></p>	<p>IGCC agrees with maintaining ASRS 2 paragraph 29(g) for disclosure of climate-related considerations in executive remuneration.</p> <p>Information about incentives and remuneration are relevant to a company's plans to respond to climate risk and opportunities and achieve its emissions reduction targets.¹⁶</p> <p>Transparency on remuneration helps investors to understand how remuneration structures incentivise achievement of the climate strategy and emissions reduction targets, and conversely</p>

¹⁶ See for example [CA100+ Net Zero Benchmark 2.0](#); [UK Transition Plan Taskforce Disclosure Framework, 2023](#), page 36.

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<p><i>(a) a description of whether and how climate-related considerations are factored into executive remuneration; and</i></p> <p><i>(b) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations.</i></p> <p><i>One of the concerns noted by a minority of the AASB is that if [draft] ASRS 2 paragraph 29(g) is included in the final Standard, it might be seen as the AASB replicating remuneration reporting requirements outside of Australian legislation. However, for the reasons outlined in paragraphs BC57–BC63, on balance the AASB decided to propose that entities should be required to disclose that information.</i></p> <p><i>To avoid potential conflicts with existing regulatory requirements or entities attempting to define which of their key management personnel is considered an “executive”, the AASB decided to clarify that, in the context of [draft] ASRS 2, “executive” and “executive management” has the same meaning as “key management personnel” and “remuneration” has the same meaning as “compensation”, both as defined in AASB 124 Related Party Disclosures.</i></p> <p>Do you agree with the proposed requirements in [draft] ASRS 2 paragraphs 29(g) and Aus29.1 to disclose the information described in points (a) and (b) in the above box? In your opinion, will this requirement result in information useful to users? Please provide reasons to support your view.</p>	<p>whether remuneration structures are inconsistent with or conflicting with improving a company’s climate change resilience.¹⁷</p>

¹⁷ [IGCC 2021, A Changing Climate: what investors expect of company directors on climate risk.](#)

Matters for comment	IGCC Response
Greenhouse gas (GHG) emissions (paragraphs Aus31.1 and B19– AusB63.1 and Australian application guidance)	
<i>Definition of greenhouse gases</i>	
<p>Question 14</p> <p><i>As noted in paragraphs BC66–BC69, IFRS S2 defines greenhouse gases as the seven greenhouse gases listed in the Kyoto Protocol. However, the AASB noted that one of those gases, nitrogen trifluoride (NF3), is not listed in the National Greenhouse and Energy Reporting Act 2007 and related regulations (NGER Scheme legislation) as a class of greenhouse gas.</i></p> <p><i>Despite that difference, the AASB decided to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification</i></p> <p>Do you agree with the AASB’s proposal to incorporate in [draft] ASRS 2 the definition of greenhouse gases from IFRS S2 without any modification? Please provide reasons to support your view.</p>	<p>IGCC agrees with the proposal to incorporate the same definition of greenhouse gas emissions, particularly given that many reporting entity’s operations will be global.</p> <p>IGCC agrees with the rationale of the AASB. If necessary, this point of clarification could be made in supporting guidance.</p> <p>NGER reporting currently only applies to company operational scope 1 and 2 emissions in Australia. It does not capture activities outside of Australian borders or Scope3 emissions.</p> <p>If the AASB concludes there is a need to address the difference with NGER legislation, this should be achieved through clarifications and optionality limiting the need to consider NF3 for Australian emissions where it is not required by NGER legislation, rather than altering the definition.</p>
<i>Converting greenhouse gases into a CO2 equivalent value</i>	
<p>Question 15</p> <p><i>Paragraphs B21 and B22 of IFRS S2 require an entity to convert greenhouse gases into a CO2 equivalent value using global warming potential (GWP) values based on a 100-year time horizon from the latest Intergovernmental Panel on Climate Change (IPCC) assessment available at the reporting date. The IPCC has undertaken its 6th assessment in 2023. Therefore, if an entity is preparing climate-related financial disclosures for the period beginning 1 July 2024, under IFRS S2 the entity would be required to convert greenhouse gases using the GWP values in the IPCC 6th assessment report (AR6).</i></p>	<p>IGCC recommends the default position should be to promote use of latest GWP values in line with ISSB, while including additional allowances for NGER reporting entities and other reporting entities to use AR5 GWP values if that is more appropriate in their circumstance.</p> <p>IGCC acknowledges the need to promote alignment with NGERs for NGER reporting entities.</p> <p>IGCC is concerned about forcing entities that do not report under NGER to use GWP values that are different to what is specified under IFRS S2. This may simply shift the regulatory burden on to non-NGER reporting entities.</p> <p>For example, a company may already be applying the latest GWP values and wishing to align with ISSB provisions, and should not be required to change that.</p>

Matters for comment	IGCC Response
<p><i>However, entities reporting under NGER Scheme legislation would be required to use the GWP values in the IPCC 5th assessment report (AR5). As noted in paragraphs BC70–BC72, to avoid regulatory burden for certain Australian entities, the AASB added paragraphs AusB22.1 and AusB22.2 to [draft] ASRS 2 to require an entity to convert greenhouse gases using the GWP values in AR5, as identified in [draft] ASRS 101.</i></p> <p>Do you agree with the AASB’s view that an Australian entity should be required to convert greenhouse gases using GWP values in line with the reporting requirements under NGER Scheme legislation? Please provide reasons to support your view.</p>	<p>IGCC believes the objective of avoiding regulatory burden for NGER reporting could be achieved by maintaining the ISSB baseline, with additional allowances for NGER reporting entities and other reporting entities.</p> <p>This could be an allowance to use GWP values in the NGER reporting determination where they consider that most appropriate, and to disclose their reasoning (ie that they are required to report under NGERs, or that the other comparable Australian companies report under NGER even if they do not).</p>
<i>Market-based Scope 2 GHG emissions</i>	
<p>Question 16</p> <p><i>IFRS S2 paragraph 29(a)(v) requires an entity to disclose its location-based Scope 2 GHG emissions. However, the Treasury’s second consultation paper proposed a phased-in approach to requiring an entity to also disclose market-based Scope 2 GHG emissions. The AASB added paragraphs Aus31.1(f) and AusC4.2 to propose requiring an entity that would be required by the Corporations Act 2001 to prepare climate-related financial disclosures to disclose its market-based Scope 2 GHG emissions in addition to its location-based Scope 2 GHG emissions, except for the first three annual reporting periods in which such an entity applies [draft] ASRS 2 (see also paragraphs BC78–BC79).</i></p>	<p>IGCC supports the inclusion of market-based Scope 2 GHG emissions, as this will provide better transparency on the reporting company’s purchase decisions and risks and opportunities associated with the energy supplier.</p> <p>Applying both the market-based approach and location based is consistent with GHG Protocol scope 2 guidance, which emphasises that “both methods are useful for different purposes; together, they provide a fuller documentation and assessment of risks, opportunities, and changes to emissions from electricity supply over time”.¹⁸</p>

¹⁸ [WRI/WBCSD GHG Protocol, Scope 2 Guidance](#), page 7.

Matters for comment	IGCC Response
<p>Do you agree with the proposals set out in [draft] ASRS 2 paragraphs Aus31.1(f) and AusC4.2? Please provide reasons to support your view.</p>	
<p><i>GHG emission measurement methodologies</i></p>	
<p>Question 17</p> <p>The AASB added paragraphs Aus31.1(b) and AusB25.1 in [draft] ASRS 2 to specify that an entity would be required to:</p> <ul style="list-style-type: none"> (a) consider the measurement of its Scope 1 GHG emissions, location-based Scope 2 GHG emissions, market-based Scope 2 GHG emissions (when applicable) and Scope 3 GHG emissions separately; (b) apply methodologies set out in NGER Scheme legislation, using Australian-specific data sources and factors for the estimation of greenhouse gas emissions, to the extent practicable; and (c) when applying a methodology in NGER Scheme legislation is not practicable, apply: <ul style="list-style-type: none"> (i) a methodology that is consistent with measurement methods otherwise required by a jurisdictional authority or an exchange on which the entity is listed that are relevant to the sources of the greenhouse gas emissions; or (ii) in the absence of such a methodology, a relevant methodology that is consistent with GHG Protocol Standards.⁷ <p>The diagram in the Australian Application Guidance accompanying [draft] ASRS 2 illustrates the</p>	<p>Similar to our response Question 15, it is important to allow NGER reporters and other entities to align with NGER methodologies for measuring scope 1 and 2 emissions, while not overextending this application.</p> <p>Many organisations already voluntarily measure and report their greenhouse gas emissions using methodologies aligned with the GHG Protocol. Organisations whose approach would otherwise align with the GHG Protocol and ISSB standard, should not be required to apply a different methodology aligned with methodologies set out in NGER legislation.</p> <p>Comprehensive assessment of risks may require an equity share approach</p> <p>It is necessary to consider the distinct purposes of national GHG accounting vs assessment of risk and opportunity. When looking at risks and opportunities, an equity share approach can provide a more comprehensive view of risk and liability for an entity, in addition to the operational control approach required under NGER which still provides valuable insights.</p> <p>Australian-specific data sources and factors</p> <p>IGCC notes that currently in the ASRS 2 at AusB25.1 using Australian-specific data sources and factors for the estimation of greenhouse gas emissions is only linked using methodologies under NGERs. However Australian factors will be relevant to measuring Australian-based emissions under the under GHG Protocol. IGCC recommends clarifying this within the standard, to avoid any misconception that only NGERs methodologies would take account of Australian-specific data sources and emissions factors.</p>

Matters for comment	IGCC Response
<p>application of paragraphs Aus31.1(b) and AusB25.1. See also paragraphs BC73–BC76.</p> <p>17. Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1? Please provide reasons to support your view.</p>	
<p><i>Providing relief relating to Scope 3 GHG emissions</i></p>	
<p>Question 18</p> <p><i>As noted in paragraphs BC80–BC81, the AASB decided to add paragraph AusB39.1 to [draft] ASRS 2 to propose permitting an entity to disclose in the current reporting period its Scope 3 GHG emissions using data for the immediately preceding reporting period, if reasonable and supportable data related to the current reporting period is unavailable.</i></p> <p>18. Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.</p>	<p>IGCC agrees with the relief to allow scope 3 emissions to be based on the prior reporting year. This is not just a question of reasonable and supportable data, but also the challenges of completing measurement and assurance processes with the timeframes for financial reporting.</p> <p>For example, reports by investors will generally be due 3 months after the end of the reporting period. In many cases it is not feasible to report financed emissions for the same reporting year within this timeframe, especially taking account of assurance processes.</p> <p>Therefore, the ability to use data from the preceding reporting period is critical to allow adequate time to complete the measurement and assurance processes.</p> <p>It would be valuable to provide additional guidance on how AusB39.1 applies alongside B19, which allows data from previous reporting periods to be used provided certain conditions are met.</p>
<p><i>Scope 3 GHG emission categories</i></p>	
<p>Question 19</p> <p><i>IFRS S2 paragraphs B32–B33 require an entity to categorise the sources of its Scope 3 GHG emissions based on the 15 categories listed in the IFRS S2 definition, which was taken from the GHG Protocol Standards. However, as noted in paragraphs BC82–BC85, the AASB observed that those 15 categories of Scope 3 GHG emissions are not referenced in IPCC guidelines or the Paris Agreement. The AASB was unsure whether requiring categorisation of the sources of Scope 3 GHG emissions under the 15 categories listed in the IFRS S2 definition would achieve international alignment if entities in other jurisdictions that are parties to the Paris Agreement are able to disclose different categories.</i></p>	<p>A standardised approach to categorising sources of Scope 3 emissions supports consistency and comparability, including for example for government purposes in considering sovereign climate risk and opportunity.</p> <p>The disaggregation of Scope 3 emissions helps companies and users of company information to consider underlying risks and opportunities and to set targets for emissions reductions.</p> <p>IGCC recommends that maintaining the GHG Protocol categories as per the ISSB Standard will provide the best chance of achieving the objective of improving consistency and comparability of reporting.</p> <p>Using the 15 categories provides a standardised and commonly understood approach to considering and disclosing Scope 3 information, as a starting point.</p>

Matters for comment	IGCC Response
<p><i>The AASB considered whether it would be more appropriate to require Australian entities to categorise the sources of their Scope 3 GHG emissions consistent with the categories outlined in IPCC guidelines and National Greenhouse Gas Inventory reporting requirements. However, the AASB rejected that approach because the objective of IFRS S2 paragraphs B32–B33 is to disclose information about the entity’s activities that give rise to Scope 3 GHG emissions, and the IPCC sectoral classifications do not appear to be sufficient in identifying the entity’s activities. For example, it is unclear whether the sectoral categories would provide information about emissions arising from business travel, employee commuting and investments, which are categories in IFRS S2.</i></p> <p><i>The AASB decided to add the Scope 3 GHG emission categories in IFRS S2 to [draft] ASRS 2 as examples of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, rather than requiring an entity to categorise the sources of emissions in accordance with the categories of the GHG Protocol Standards (see [draft] ASRS 2 paragraph AusB33.1).</i></p> <p>Do you agree with the AASB’s approach in [draft] ASRS 2 paragraph AusB33.1 to include the Scope 3 GHG emission categories in IFRS S2 as examples of categories that an entity could consider when disclosing the sources of its Scope 3 GHG emissions, rather than requiring an entity to categorise the sources of emissions in accordance with the</p>	<p>For clarity, users would not expect entities to complete a full assessment of scope 3 against every category. Rather a materiality assessment would determine which categories are most relevant. Entities may still choose to voluntarily complete and disclosure a wider range of scope 3 emissions, but it would not be required.</p> <p>Recent analysis by CDP on Scope 3 Categories by Sector provides relevant examples of how GHG Protocol Scope 3 emissions categories apply to different high impact sectors and demonstrates that the GHG Protocol is an accepted and commonly used protocol for Scope 3 categorisation.¹⁹</p>

¹⁹[CDP 2023 Technical Note: Relevance of Scope 3 Categories by Sector](#); IGCC notes the reference categories of sources under the National GHG Inventory reporting requirements referred to at BC83 only relate to Scope 1 and 2 emissions reporting for the purpose of national greenhouse gas accounts, and are not relevant to scope 3 categories.

Matters for comment	IGCC Response
categories of the GHG Protocol Standards? Please provide reasons to support your view.	
<i>Financed emissions</i>	
<p>Question 20</p> <p><i>As noted in paragraph BC86, IFRS S2 paragraphs 29(a)(vi)(2) and B58–B63 require an entity that participates in asset management, commercial banking or financial activities associated with insurance to provide additional disclosures relating to its financed emissions.</i></p> <p><i>When incorporating those IFRS S2 requirements relating to financed emissions, instead of requiring an entity to disclose the information outlined in IFRS S2 paragraphs B61–B63, the AASB proposes to require an entity to consider the applicability of those disclosures related to its financed emissions (see [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1). This is because IFRS S2 paragraphs B61–B63 are based on GHG Protocol Standards requirements, which require an entity to disaggregate its Scope 1 and Scope 2 GHG emissions (in addition to its Scope 3 GHG emissions). The AASB is of the view that entities that apply methodologies set out in NGER Scheme legislation to measure their Scope 1 and Scope 2 GHG emissions may not have the information necessary for those disaggregated disclosures.</i></p> <p><i>An entity is required to disclose the information outlined in [draft] ASRS 2 paragraphs AusB61.1 and</i></p>	<p>Financed emissions will be the most material source of Scope 3 emissions for financial institutions.²⁰</p> <p>IFRS S2 B58–63 requires disclosure of additional information of financed emissions, building on scope 3 reporting requirements.</p> <p>However, modifications to IFRS S2 at AusB59.1 and at AusB61.1–B63.1 (to enable entities to ‘consider’ disclosing this information) have created confusion about the extent to which reporting of any financed emissions remains a requirement under ASRS 2.</p> <p>Recommendations</p> <p>IGCC recommends that the AASB revise the proposed modifications at B59.1 to align with paragraph B59 IFRS S2 more closely, stating that entities with financial activities are <i>required</i> to disclose information about their financed emissions.</p> <p>Provided the standard makes clear that financial institutions must report information about financed emissions, then the modification to IFRS S2 to allow entities to consider the applicability of the specific metrics at Aus B61.1–63.1 in the context of their objectives and user needs may be appropriate.</p> <p>Need for industry specific guidance for asset managers and superannuation entities</p> <p>Further industry-focused guidance for both asset managers and superannuation entities on reporting financed emissions will be necessary to support reporting, and should be developed in close consultation with industry.</p> <p>There is a strong appetite for industry specific guidance on financed emissions on matters such as:</p>

²⁰ Given this, we understand that Scope 3 reporting requirements under AS

RS 2 paragraph 29(a) would direct financial institutions to disclose their financed emissions in line with the GHG Protocol Scope 3 Standard (Category 15); The GHG Protocol provides high-level guidance on reporting financed emissions. This is expanded on by methodologies like PCAF to provide more detailed guidance on measuring financed emissions aligned with the GHG Protocol.

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<p><i>AusB63.1 if those disclosures are applicable to the entity.</i></p> <p>Do you agree with the AASB’s proposal to require an entity to consider the applicability of those disclosures related to its financed emissions, as set out in [draft] ASRS 2 paragraphs AusB59.1, AusB61.1 and AusB63.1, instead of explicitly requiring an entity to disclose that information? Please provide reasons to support your view.</p>	<ul style="list-style-type: none"> • How the proposed financed emissions metrics relate to frameworks like the PCAF <i>Financed Emissions Standard</i> and other frameworks which provide more granular guidance and measuring and reporting financed emissions aligned the GHG Protocol Scope 3 Standard, • Application of requirements in the context of data challenges specific for asset managers and superannuation funds, • Considerations for appropriate level of reporting – eg at whole of portfolio vs managed fund or superannuation option.²¹ <p>Application of financed emissions provisions to superannuation entities</p> <p>IGCC notes Aus 59.1 and AusB61.1 refer to 'entities engaged in asset management activities' and do not refer to superannuation entities. IGCC recommends adding a distinct reference to superannuation entities to clarify that they are covered by the financed emissions disclosure obligations in AusB58-63.1</p> <p>As noted above, additional guidance on reporting financed emissions will also need to address disclosures from superannuation entities to ensure the utility of reporting for users including beneficiaries. Many superannuation entities have already been disclosing financed emissions in voluntary reporting, although practice is still evolving.</p>
<i>Superannuation entities</i>	
<p>Question 21</p> <p><i>As noted in paragraphs BC87-BC88, the AASB has heard from some stakeholders that superannuation entities may have challenges complying with climate-related financial disclosure requirements set out in IFRS S1 and IFRS S2.</i></p> <p>In your opinion, are there circumstances specific to superannuation entities that would cause challenges for superannuation entities to comply with the proposed requirements in [draft] ASRS 1 and [draft] ASRS 2? If so, please provide details of those circumstances and why they would lead to superannuation entities being unable to comply with</p>	<p>IGCC supports mandatory climate-related disclosure by superannuation entities. Climate change presents material risks and opportunities for superannuation entities and the long term retirement outcomes of beneficiaries.²² (See further comments at Summary of Response at pages 3-4 of this comment letter.)</p> <p>Many superannuation entities are familiar with using the TCFD recommendations for assessing and reporting information about managing these risks and opportunities. The TCFD recommendations also underpin mandatory climate-related disclosure obligations for pension funds in the UK, introduced in 2021.</p> <p>In developing global baseline standards building on the TCFD, the ISSB focused on activities of profit-oriented businesses and did not consider the activities of superannuation entities (or pension funds more broadly) and the audiences they report to (such as their beneficiaries and potential beneficiaries).</p>

²¹ Similar to the observations in the basis of conclusions BC128, IGCC members noted that in many cases, a more detailed disaggregation of financed emissions disclosure may be necessary to provide users with more relevant information, for example at the ‘product’ or ‘option’ level where the individual member or client is invested, in addition to the whole of portfolio level.

²² See for example [APRA CPG229 Climate Change Financial Risks](#).

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<p>the proposed requirements or else able to comply only with undue cost or effort.</p>	<p>This has meant that, for example, the definition of “primary user” within the ISSB standard does not effectively apply to superannuation funds.</p> <p>However, IGCC recognises that many of the considerations in IFRS S1 and IFRS S2 which build on TCFD recommendations are relevant for reporting by superannuation entities.</p> <p>IGCC would observe that some modifications and additional guidance are needed to cater for the nature of superannuation activities and needs of users, which are unique to the objectives and primary users of reporting by profit-oriented entities.²³</p> <ul style="list-style-type: none"> • Modifications include: <ul style="list-style-type: none"> ○ Adding a definition of “users” for reporting superannuation entities that captures beneficiaries aligned with AASB1056.²⁴ ○ Adding “superannuation” activities along with banking, asset management, and insurance to ensure they are captured in financed emissions disclosure requirements. • Guidance should be developed for superannuation entities in close consultation with industry to guide reporting catered to their activities and the needs of users, including covering matters such as: <ul style="list-style-type: none"> ○ Methodologies for disclosing financed emissions and case studies drawing on current superannuation entity good practice. ○ More granular recommendations for disclosing relevant activities such as investment approaches, stewardship activities (engaging with companies, voting on climate resolutions etc), and scenario analysis in the context of assessing investment portfolios. <p>Considerations for materiality and proportionality for superannuation entities to enhance targeted and relevant disclosures for end users.</p> <p>Given existing processes and constraints, IGCC’s recommendations focus on essential modifications to incorporate reporting by superannuation entities within ASRS 1 and ASRS 2, with detailed supporting guidance to cater for the circumstances of superannuation entities and needs of users.</p> <p>IGCC notes that some superannuation entities have suggested a separate specific standard would be an alternative that would help their disclosures more accurately capture their activities and cater to the needs of users. This is based on a similar premise to the AASB’s decision to develop AASB</p>

²³ We have considered the detailed assessment by ACSI on application to superfunds, which identifies the need for some minor modifications and highlights areas for further guidance.

²⁴ [AASB 1056](#) BC12 identifies the most prominent users of general purpose financial statements of superannuation entities as current and potential members and beneficiaries, parties that act on behalf of members and beneficiaries, such as financial analysts, advisors and unions, and employer-sponsors.

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	<p>1056 for general purpose financial reporting by superannuation entities, rather to apply Australian Accounting Standards adopting IFRS²⁵.</p> <p>IGCC encourages the AASB to continue engaging closely with the industry in developing the reporting standards and supporting guidance. IGCC also encourages the AASB to consider examples of climate-related reporting by superannuation entities which provide valuable insights into existing industry practice.</p>
<i>Carbon credits</i>	
<p>Questions 22</p> <p><i>IFRS S2 defines a carbon credit as “An emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are uniquely serialised, issued, tracked and cancelled by means of an electronic registry.” [emphasis added]</i></p> <p><i>As noted in paragraphs BC90–BC92, non-Kyoto Australian carbon credit units (ACCUs) are not uniquely serialised. The AASB is proposing to modify the definition of carbon credit in [draft] ASRS 2 to specify that carbon credits issued under the Australian Carbon Credits Units Scheme meet the definition of carbon credit, to ensure non-Kyoto ACCUs can also be recognised as carbon credits in the context of the [draft] Standard.</i></p> <p>Do you agree with the AASB’s proposal to modify the definition of carbon credit in [draft] ASRS 2? Please provide reasons to support your view.</p>	<p>IGCC agrees with this proposal given information about non-kyoto ACCUs may be relevant to disclosures about carbon credits, and it does not alter the underlying meaning or application of the ISSB definition.</p>

²⁵ See AASB1056 BC11.