



1 March 2024

Dr Keith Kendall
Chair
Australian Accounting Standards Board
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Submitted via email: standard@asb.gov.au

Dear Dr Kendall

AASB ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information

The Institute of Public Accountants (IPA) welcomes the opportunity to provide comments on the above Exposure Draft (ED).

General comment

Overall, the IPA supports the majority of the proposals in the ED as the proposals, on the whole, are pragmatic and workable for the larger entities in preparing sustainability reports. The proposals also align with current Australian sustainability reporting frameworks and legislation.

The IPA also commends the AASB's efforts in providing relief and practical expedients from some requirements to address the cost-benefit concerns for some entities in preparing sustainability reports. However, we think the relief and practical expedient can be extended to other areas, especially for the smaller large entities (eg the Group 3 entities under the Australian Treasury's recent proposed *Treasury Laws Amendment Bill 2024: Climate-related financial disclosure*).

We are of the view that the successful implementation of Australia Sustainability Reporting Standards (ASRS) is dependent on the required entities being able to correctly and consistently apply the requirements. However, entities in each of the Australian Treasury's Groups 1 to 3 are of differing size and complexity, and have different capacities and resources in implementing the sustainability reporting requirements. We think the majority of the proposals in the ED are suited to the larger entities (ie Group 1 and 2 entities) in preparing sustainability reports.

This is, however, not the case for some smaller large entities (ie Group 3 entities) – a group that captures our medium-sized members. Our members in this category, are generally limited in the necessary resources, capacity and expertise to implement and/or provide services relating to

sustainability reporting. To require these entities to prepare a sustainability report to the same level as those of the larger entities (Groups 1 and 2 entities) would be disproportionately onerous. As such, IPA recommends the AASB consider setting sustainability reporting requirements that are proportionate to an entity's size and complexity, and guided by the following key principles:

1. Requiring larger entities (Groups 1 and 2 entities) to apply all the proposed requirements and simplifying and/or providing relief for the smaller large entities (Group 3 entities).

This principle is contained in the ED's current proposal that if an entity determines that there are no material climate-related risks and opportunities, the entity shall disclose this fact and explain how it came to that conclusion. We think this relief/simplification can be extended to other areas such as:

- (i) The **prescribed number of scenarios** an entity is required for its climate resilience assessment (in Q10) – ie the prescribed number of scenarios required should be proportionate to the cost or capacity of an entity to make such disclosures. As such, we would prefer the AASB amend the proposal to a tiered approach of:
 - For larger entities (eg Group 1 and 2 entities) – disclosure of at least two possible future states and
 - For smaller large entities (eg Group 3) – two possible future states with the flexibility to disclose more than two possible future states if it is practicable for the entity.
- (ii) **Scope 3 disclosures** (in Q18) to be:
 - mandated for Groups 1 and 2 entities and
 - simplified to being only applicable to Group 3 entities where it is practicable. Where it is not practicable, the entity (similarly to 1(i) above) must disclose that fact and explain how it came to that conclusion.
- (iii) **Permit a for-profit entity the same relief as a not-for-profit entity (NFPE)** (in Q25) where a **NFPE would not need to undertake an exhaustive search for information to identify climate-related risks and opportunities** that could reasonably be expected to affect the entity's prospects, but would be required to use all reasonable and supportable information available to the entity at the reporting date without undue cost or effort in preparing material climate-related financial information required by [draft] ASRS 1 and [draft] ASRS 2.

2. Providing significant guidance in complex and difficult areas to assist entities in implementing the requirements. We think the additional guidance, particularly for Group 3 entities, should preferably form part of or accompany the current development of ASRS 1 and 2. Where this is not possible, the guidance may be developed at a later stage and in readiness for the Group 3 entities' implementation from 1 July 2027. The areas requiring guidance are:

- (i) **Material climate-related risks and opportunities assessment** (in Q3)
- (ii) **Climate resilience assessments** (in Q10)
- (iii) **Cross-industry metric disclosures** (in Q12) and
- (iv) **Scope 3 greenhouse gas emissions measurement** (in Q18)
- (v) **Terms used in the "objective" of a NPFE** (in Q23).

3. Allow flexibility where possible for entities to use other recognised methodologies and provide voluntary additional disclosures, such as:

- (i) Election by an entity to make industry-based disclosures using well-established and understood metrics (in Q5 and Q6)
- (ii) The number of scenario analysis for Group 3 entities (in Q10) and
- (iii) The assessment reports for which the global warming potential (GWP) values are used to convert greenhouse gases (in Q15).

Specific comment

Our responses to the specific questions in the ED are in Attachment 1.

For any questions relating to this submission, please contact Vicki Stylianou, Group Executive Advocacy and Professional Standards, Institute of Public Accountants at vicki.stylianou@publicaccountants.org.au.

Yours sincerely

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Attachment 1 – IPA’s responses to ED SR1 specific questions

(i) Presenting the core content of IFRS S1 in [draft] ASRS Standards

Q1 In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:

- (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;**
 - (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;**
 - (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**
 - (d) another presentation approach (please provide details of that presentation method)?**
- Please provide reasons to support your view.**

The IPA has concerns on the AASB’s proposed approach to limit the scope of disclosure requirements based on IFRS S1 to climate-related financial disclosure in the Australian equivalent of ASRS 1. The consequence of this is to replace references to “sustainability” in IFRS S1 with “climate” in ASRS 1.

In general, the established approach used by the Australian and international standard-setters in setting accounting standards is to have:

- A general accounting standard, such as AASB 101 *Presentation of Financial Statements*, that prescribes the basis for the presentation of general purpose financial statements and sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. This would be equivalent to IFRS S1/ASRS 1 setting the general requirements for sustainability reporting, which is much broader than climate reporting and
- A separate accounting standard(s) that deals with the accounting for a specific topic(s)/matter(s). This at times includes duplication of requirements in AASB 101. This would be equivalent to IFRS S2/ASRS 2, which sets out the requirements relating to climate reporting.

The established approach allows the issue of standards on other specific matters without amending the general requirements standard if there are no changes to the standard’s principles. This approach is reflected in the ISSB sustainability standards of IFRS S1 (general requirements for sustainability reporting) and S2 (climate-related disclosures). In contrast, the AASB’s proposed approach to limit ASRS 1 to climate only, would mean that the inevitable future standards on other sustainability reporting topics will require amending ASRS 1 to include the new sustainability reporting topics even when there are no changes to the standard’s principles.

Additionally, the AASB’s proposed approach would result in ASRS 1 deviating from the content of IFRS S1 unnecessarily. We note the AASB’s rationale for the deviation is to minimise the unnecessary duplication in IFRS S2/ASRS 2, which presumably minimises the material for which entities need to consider for application. The IPA is of the view that this approach may add confusion and difficulty for entities (especially multi-nationals) that want to compare ASRS and ISSB standards in meeting their Australian and international sustainability reporting requirements. It is also an inefficient

approach to developing ASRS. We are of the view that aligning Australian sustainability standards with those of the ISSB is more important than removing duplications. Accordingly, in the absence of compelling reasons for the AASB's proposed approach, IPA recommends that ASRS mirrors those of the ISSB standards where possible. We therefore prefer the proposed Option 2.

(ii) Replacing duplicated content with references to the Conceptual Frameworks

Q2 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.

The IPA does not support the AASB's approach to making references to its *Conceptual Framework for Financial Reporting* (CF) and the *Framework for the Preparation and Presentation of Financial Statements* (Framework) instead of duplicating the definitions and contents of those frameworks.

The ED states that the reason for the proposed approach is that the CF and Framework "are not legislative instruments and do not form part of the authoritative Australian Accounting Standards, they should not be made enforceable as part of [draft] ARS Standards". The CF and Framework are not mandatory in their own rights. However, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires that when management uses judgment in developing and applying an accounting policy, the relevant aspects of the CF and Framework must be considered. As such, the CF and Framework are enforceable by virtue of AASB 108.

In the absence of equivalent sustainability standards to AASB 108, it is important that if the intent of the CF and Frameworks are mandatory, the relevant sections should be included in ASRS 1. We are of the view that, given the relevant sections of the CF and Frameworks are in bold text in IFRS S1, the requirements are mandatory. This view is supported by IFRS S1 duplicating certain aspects of the CF and Framework and requiring their application. As such, IPA thinks that, as per our comments for Q1, ASRS 1 should align and not deviate from the content of IFRS S1 unnecessarily and should only occur where there are compelling reasons. Accordingly, ASRS 1 should include the relevant content of the CF and Framework as per IFRS S1.

(iii) Entities that do not have material climate-related risks and opportunities

Q3 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.

The IPA supports the proposal 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. We note this is consistent with the proposals in Treasury's second Consultation Paper and Exposure Draft *Treasury Laws Amendment Bill 2024: Climate-related financial disclosure* (issued January 2024).

This proposal is particularly important for IPA members, who predominately operate in the small-to-medium enterprise (SME) sector. Our medium-sized members are likely to fall within the smaller large entities threshold (ie Australian Treasury's proposed Group 3 entity) and would need to prepare a sustainability report. Our members in the smaller large category, are generally limited in

the necessary resources, capacity and expertise to implement and/or provide services relating to sustainability reporting. To require these entities to prepare a sustainability report to the same level as those of the large entities (Groups 1 and 2 entities) would be disproportionately onerous. Consequently, IPA recommends that where possible, the AASB must extend the approach in Q3 to simplify and/or exempt other complex climate disclosures along with additional guidance for the smaller large entities in the current development of ASRS 1 and 2, or at a later stage in readiness for the Group 3 entities implementation from 1 July 2027.

Additionally, we note that the preceding paragraphs to the above proposal in [Draft] ASRS 1 (paragraphs Aus6.1) and 2 (Aus4.1) states that:

“A not-for-profit entity need not undertake an exhaustive search for information to identify climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects. A not-for-profit entity shall use all reasonable and supportable information available to the entity at the reporting date without undue cost or effort in preparing material climate-related financial information required by this [draft] Standard and other applicable Australian Sustainability Reporting Standards.” [Draft] ASRS 1 (paragraph Aus6.1) and [Draft] ASRS 1 (equivalent paragraph Aus4.1).

We are unclear as to why the above applies to a not-for-profit entity when it can equally apply to a for-profit entity. Accordingly, we recommend the AASB include the above Aus paragraphs for a for-profit entity. This would assist, especially, the smaller large entities in complying with the sustainability reporting requirements.

(iv) Modifications to the baseline of IFRS S1 for [draft] ASRS 1

Sources of guidance and references to Sustainability Accounting Standards Board (SASB) Standards

Q4 Do you agree with the AASB’s views noted in paragraphs BC39–BC41? Please provide reasons to support your view.

We support the AASB’s proposal 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 for the reasons stated in paragraphs BC39-BC41, in that:

- the ISSB’s public consultation period was too short for Australian stakeholders to sufficiently consider the proposals in Appendix B to [draft] IFRS S2 and for the AASB to appropriately apply its own due process
- not all of the proposals in Appendix B to [draft] IFRS S2 are related to climate-related risks and opportunities and the SASB Standards are for the US and not representative of the Australian or global market.

Q5 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.

The IPA supports the above proposal, as it is a pragmatic and workable approach for an entity to make industry-based disclosures. We also commend the AASB in setting ASRS that aligns with current Australian frameworks and legislation, thereby reducing the sustainability reporting burden

on all stakeholders, including preparers, assurers, users and the profession. Consistent with our comments, we recommend that the AASB adopt this approach, where possible, to setting ASRS.

Q6 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.

The IPA supports the above proposal as it:

- provides flexibility for an entity to provide voluntary additional disclosures if they can, and
- requires consideration of other relevant frameworks or pronouncements (e.g. the SASB Standards) would limit the degree of divergence in the additional disclosures, and thereby ensure consistency and comparability of the disclosures.

Disclosing the location of the entity’s climate-related financial disclosures

Q7 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.

IPA is of the view that a detailed index table in GPFR would enable GPFR users to understand the connection between the disclosures in GPFR and sustainability reporting financial disclosures. However, we also note the costs can outweigh the benefits of including the index table for some entities. The AASB proposal to require an entity to apply judgement in providing information in a manner that enables users to locate its climate-related financial disclosures would permit an entity to reap the benefits that are commensurate with the costs of disclosure. As such, the IPA supports the inclusion of paragraph Aus60.1.

Interim reporting

Q8 Do you agree with the proposed omission of IFRS S1 paragraphs 69 and B48? Please provide reasons to support your view.

The IPA supports the proposal in Q8 for the reasons stated in the ED.

(v) Modifications to the baseline of IFRS S2 for [draft] ASRS 2

Scope of [draft] ASRS 2

Q9 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:

- (a) is limited to climate-related risks and opportunities related to climate change; and**
- (b) does not apply to other climate-related emissions (e.g. ozone depleting emissions) that are not greenhouse gas (GHG) emissions.**

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).

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.

The IPA supports the proposal in Q9 for the reasons stated in the ED.

Climate resilience

Q10 Do you agree with the proposal in [draft] ASRS 2 paragraph Aus22.1? Please provide reasons to support your view.

The IPA supports, in principle, the proposal to require an entity to disclose its climate resilience assessments against at least two possible future 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). However, we are of the view that the prescribed number of scenarios required should be proportionate to the costs or capacity of an entity to make such disclosures. As such, we would prefer the AASB amend the proposal to require:

- For large entities (eg Group 1 and 2 entities) – disclosure of at least two possible future states and
- For smaller large entities (eg Group 3) – two possible future states with the election to disclose more than two possible future states if it is practicable.

Additionally, the AASB would need to develop significant guidance to assist the smaller large entities in undertaking their climate resilience assessments for disclosure. This is particularly necessary for IPA members who are unlikely to have previously undertaken such assessments and disclosures.

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.

The IPA supports the proposal to not specify the upper-temperature scenario that an entity must use in its climate-related scenario analysis. Our support is consistent with those that are outlined in the ED, in that the scenarios used by an entity in its climate-related scenario analysis mainly assess climate-related physical risks, and assessing the physical risk is dependent on the entity’s facts and circumstances, including the nature and location of its operations.

Cross-industry metric disclosures (paragraphs 29(b)–29(g))

Q12 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.

The IPA supports, in principle, the proposal for cross-industry metric disclosure, as the information would be useful to the users of the report. However, consistent with our comments to Q10, the disclosures should be proportionate to the costs or capacity of an entity to make such disclosures.

Significant guidance would also need to be provided to clarify and assist an entity (especially Group 3 entities) in achieving this.

Cross-industry remuneration disclosure (paragraphs 29(g) and Aus29.1)

Q13 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.

The IPA supports, in principle, the proposal to disclose cross-industry remuneration information in [draft] ASRS 2 paragraph 29(g) of:

- (a) a description of whether and how climate-related considerations are factored into executive remuneration and
- (b) the percentage of executive management remuneration recognised in the current period that is linked to climate-related considerations.

Our support is on the basis that the information would be useful to the users.

We also support the proposal to clarify that, in the context of [draft] ASRS 2, “executive” and “executive management” have the same meaning as “key management personnel” and “remuneration” has the same meaning as “compensation”, both as defined in AASB 124 *Related Party Disclosures*.

(vi) Greenhouse gas (GHG) emissions (paragraphs Aus31.1 and B19–AusB63.1 and Australian application guidance)

Definition of greenhouse gases

Q14 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.

The IPA supports the proposal for the reasons stated in the ED.

Converting greenhouse gases into a CO2 equivalent value

Q15 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.

The IPA supports, in principle, the proposal to convert greenhouse gases using global warming potential (GWP) values in line with the reporting requirements under NGER Scheme legislation. However, flexibility should be available for an entity to decide whether to convert the greenhouse gases using GWP values in assessment report AR5 to align with entities reporting under NGER Scheme legislation or the latest Intergovernmental Panel on Climate Change (IPCC) assessment in AR6. Accordingly, the IPA suggests that the proposal be amended to require an entity, in the first instance, to convert greenhouse gases using GWP values in line with the reporting requirements under NGER Scheme legislation. This is unless other GWP values are more reliable and/or relevant,

and where this is the case, the entity shall disclose that fact and explain how it came to that conclusion. Consideration should also be given to requiring an entity to apply a consistent basis each year (ie AR5/AR6) for converting the GWP values and where there is a change in the basis, an entity should also be required to disclose the reasons for the change.

Market-based Scope 2 GHG emissions

Q16 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.

The IPA supports, in principle, the proposal that if an entity is required by the *Corporations Act 2001* to prepare climate-related financial disclosures to disclose its market-based Scope 2 GHG emissions, the entity must also disclose its location-based Scope 2 GHG emissions, except for the first three annual reporting periods in which such an entity applies [draft] ASRS 2.

GHG emission measurement methodologies

Q17 Do you agree with the proposals in [draft] ASRS 2 paragraphs Aus31.1(b) and AusB25.1? Please provide reasons to support your view.

IPA supports the proposal to specify that an entity would be required to:

- “(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:
 - (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.” (ED SR1, page 11).

Our support is on the basis that the proposal is pragmatic in that it requires in the first instance, using methodologies that align with existing Australian frameworks/legislation (ie NGER Scheme legislation) and using sound alternative methodologies where this is not practicable.

Providing relief relating to Scope 3 GHG emissions

Q18 Do you agree with the proposal in paragraph AusB39.1 of [draft] ASRS 2? Please provide reasons to support your view.

IPA supports, in principle, the proposal to permit 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.

However, consistent with our comments to Q10, the disclosures should be proportionate to the costs and/or capacity of an entity making the disclosures. As such, we think that Scope 3 disclosures should be:

- mandated for Groups 1 and 2 entities and

- simplified to being only applicable to Group 3 entities where it is practicable. Where it is not practicable, the entity must disclose that fact and explain how it came to that conclusion. This uses a similar approach, in Q3, of providing relief to an entity that assesses its climate-related risks and opportunities as not material.

Additionally, this is another area where significant guidance would need to be provided to assist an entity (especially Group 3 entities) in achieving this.

Scope 3 GHG emission categories

Q19 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 categories of the GHG Protocol Standards? Please provide reasons to support your view.

The IPA supports the proposal 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 categories of the GHG Protocol Standards. The proposal is a pragmatic approach to ensure that ASRS 2 aligns with international requirements.

Financed emissions

Q20 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.

The IPA supports the proposal in Q20 for the reasons outlined in the ED.

(vii) Questions specific to not-for-profit entities

Q23 Do you agree with paragraph Aus3.1(b) of [draft] ASRS 1 and paragraph 2.2(b) of [draft] ASRS 2 that the objective of a not-for-profit entity would be to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, access to finance or cost of capital, and its ability to further its objectives, over the short, medium or long term? Please provide reasons to support your view.

The IPA supports the proposal to specify the objective of a not-for-profit entity (NFPE) in [draft] ASRS 1 and [draft] ASRS 2 would be for a NFPE to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity’s cash flows, access to finance or cost of capital, and its ability to further its objectives, over the short, medium or long term. However, the terms “ability to further its objectives” and what time period constitutes “short”, “medium” or “long term” would need to be clarified and additional guidance provided to assist in their application.

Q24 Is there additional guidance that you consider would be helpful in explaining the objective of a not-for-profit entity preparing climate-related financial disclosures? If so, please provide details of that guidance and explain why you think it would be helpful.

Refer to our comments in Q23.

Q25 Do you agree with the proposal in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1? Please provide reasons to support your view.

The IPA supports the proposal that a not-for-profit entity would not need to undertake an exhaustive search for information to identify climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects, but would be required to use all reasonable and supportable information available to the entity at the reporting date without undue cost or effort in preparing material climate-related financial information required by [draft] ASRS 1 and [draft] ASRS 2. However, as per our comment in Q3, we are unclear as to why the above is only applicable to a not-for-profit entity when it can equally apply to a for-profit entity.

Q26 Do you agree with the AASB's view noted in paragraphs BC31–BC33 that the proposed clarification in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1, together with the practical expedients already provided through the baseline of IFRS S1 and IFRS S2, would be sufficient to address the cost-benefit and scalability concerns for not-for-profit entities preparing climate-related financial disclosures? Please provide reasons to support your view.

The IPA supports the proposed clarification in [draft] ASRS 1 paragraph Aus6.1 and [draft] ASRS 2 paragraph Aus4.1, together with the practical expedients provided through the baseline of IFRS S1 and IFRS S2, would be sufficient to address the cost-benefit and scalability concerns for NFPE preparing climate-related financial disclosures. We concur with the AASB's conclusion in BC32 that NFPE should be required to disclose information set out in ASRS Standards for which reasonable and supportable information is available to the entity. We are of the view that this proposal and the AASB's conclusion are equally applicable to Group 3 FPE and recommend that the AASB extend the proposals to Group 3 FPE.