15 July 2022

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

Consultation on [Draft] IFRS S1 and S2 Climate-related disclosures

The Australian Banking Association (ABA) welcomes the opportunity to provide feedback to the International Sustainability Standards Board (ISSB) on the Exposure Draft on IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information ([Draft] IFRS S1) and Exposure Draft IFRS S2 Climate-related Disclosures ([Draft] IFRS S2).

Global Baseline

We support a global approach to the development of sustainability disclosure standards through the ISSB as the global body to issue the standards. Further, the establishment of a global baseline is critical a coordinated approach be developed which will avoid fragmentation in reporting obligations. To this end we support the efforts of the ISSB in establishing a working group to enhance compatibility between global baseline and jurisdictional initiatives.

Climate first approach

We support the climate first approach adopted by the ISSB. We note the ISSB's intent to align [Draft] IFRS S2 with the Taskforce on Climate-related Financial Disclosures (TCFD). However, we also see an opportunity to clarify the reporting obligations within [Draft] IFRS S2; for example, the disclosure of strategic intent can be problematic in a competitive marketplace.

We see great value in the ISSB issuing a forward workplan (or consulting on a proposed forward workplan) to enable entities to prepare for future sustainability disclosure requirements.

Implementation pathway

Although some entities have a level of maturity in making sustainability disclosures, the requirement for such disclosures to be made within financial statements is a significant change. We do not believe it will be a matter of incorporating current disclosures to a new reporting location. We see several challenges.

There are significant limitations at the present time with sustainability related metrics. Limitations include data quality, availability, comparability, methodological approaches are nascent and evolving, financial modelling which reflects sustainability risks are at a very early stage. For example, in banking there is no accepted damage function to apply towards the assessment of physical climate risk in lending portfolios.

Presently, much of the work effort in producing extended external reporting is based on manual effort and non-systematised data feeds. We estimate that significant information systems resources will be required to develop the systems to support sustainability reporting to the same extent that financial and account systems support financial reporting.

Banks are highly dependent on customers reporting of customer scope 1 and 2 emissions for banks to report accurately on their scope 3 emissions. Such reporting by bank customers and suppliers is nascent.

The banking sector in Australia is experiencing limitations in human resource availability. This, combined with the need to upskill bankers to incorporate climate risk into their daily processes, places a significant burden on all banks but especially the smaller non-D-SIB's.

Therefore, we recommend phased or transitional approach will be required. The transitional approach will need to accommodate for delayed banks scope 3 emissions reporting as well as transitional arrangements for smaller banks.

We do not consider that [Draft] IFRS S2 to have suitable criteria for assurance to a reasonable level. We strongly suggest an extended phasing for assurance requirements.

Forward-looking statements

The nature of the forward-looking statements envisaged by [Draft] IFRS S1 and [Draft] IFRS S2 may give rise to liability for misleading and deceptive disclosures under Australian corporations' law. We strongly suggest the ISSB standard acknowledge the complexity and limitations of current and forward-looking metrics in its preamble to the standards. Additionally, we encourage the ISSB to encourage safe harbor provisions, as per the US Securities and Exchange Commission (SEC).

Detailed responses to questions

Our detailed responses to select questions on the Exposure Drafts are contained in the appendices to this letter as follows:

Appendix 1 – [Draft] IFRS S1

Appendix 2 – [Draft] IFRS S2

Appendix 3 – [Draft] ED Volume B19 Mortgage Finance

Appendix 4 – [Draft] ED Volume B16 Commercial Banks

We thank the ISSB for your extensive consultation on [Draft] IFRS S1 and [Draft[IFRS S2 and we would be pleased to respond to any follow-up questions or clarifications.

Kind regards,

Emma Penzo
Head of Economic Policy

Australian Banking Association

Appendix 1: [Draft] IFRS S1

Question	ABA Position
Overall approach [ED Para 1]	
Q1(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?	The statement is clear in its intention however we note the lack of clarity in undertaking such disclosures are follows: • A definition of the term 'significant' is required. • Reference to 'material in Q1(a): ○ the use of the term 'material information' suggests that 'material' and 'significant' are held to be two different concepts. If so, how do they differ and how are they related. Further, there could be situations where a significant event may not meet the definition of materiality, the standard could clarify which would take precedence for disclosure (i.e. materiality or significant). • A detailed definition of 'sustainable' and 'sustainability-related' is required. • Clarification as to whether the term 'sustainable' is intended to cover matters which are yet to emerge or be identified as a 'sustainability-related' matter. We suggest key terms be identified for global alignments. This includes terms such as 'materiality' and 'sustainable' in order that local/national mandated disclosures also apply the same definition.
Q1(c) Is it clear how the proposed requirements set out in the ED would be applied together with other IFRS Sustainability Disclosure Standards, Including the [draft] IFRS s2 Climate-related Disclosures? Why/why not? If not, what aspects of the proposal are unclear?	It appears S1 is attempting to concurrently set the framework as well as establish specific requirements. We suggest: • S1 be framed as an overarching principles-based framework and S2 (and subsequent standards) contain the requirements. This approach would

Question	ABA Position
	align with the approach taken by IFRS for the Accounting Standards (for example consider the relationship of IAS1 and IAS8. • S1 could provide a guidance note which sets forth through example what and how such disclosures may be presented. • S1 incorporate considerations for how it will integrate with other standards, particularly when considering impact on financial statements.
Q1(d) Do you agree that the requirements proposed in the ED would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposal? If not, what approach do you suggest and why?	The ABA does not believe it will be possible for sustainability disclosures to be audited to a 'reasonable' level of assurance. This is due to: (a) The nascence of sustainability reporting. Methodologies are in development and yet to be adopted and embedded. There are significant data issues relating to data quality, highly manual processes for data access and collection, and data existence. Econometric and financials models are yet to be developed or existing models are yet to be adapted to accept methodologies and data. The output of such models are yet to be incorporated into financial reporting tools and processes. (b) The complexity of a 'reasonable assurance' level of audit will entail extraordinary costs until there is standardisation in methodology, data, models, and control environments. (c) Current sustainability frameworks do not require a reasonable level of assurance (e.g.: the UN Principles for Responsible Banking (UN PRB)) (d) We note specialist auditors such do not currently have expansive ESG auditing capabilities. It is our view that auditors themselves will require capability uplift to be sufficiently trained to provide independent sign-off. We believe the existence, completeness, and accuracy and valuation assertions will be the hardest to test for and for which reporting companies provide evidence; this is exacerbated by the high degree of manual data processing. On a related matter, we highlight the lack of current experts in sustainability financial reporting indicating that a period of time will be required to develop maturity.

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Question	ABA Position
	We suggest a phased approach with an initial requirement for agreement upon procedures or limited assurance. We also suggest securities regulators adopt an accommodating enforcement posture during the phasing in period.
Objective [ED Para 1-7, Appendix A]	
Q2(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why/why not?	We note the intent of the standards is to reflect financial impact of sustainability opportunities and risks on entities and therefore the primary lens through which these standards are drafted is that of the shareholder and investor. 'Enterprise value' (EV) is the correct lens for the shareholder/investor. However, traditionally entities are obliged to issue sustainability reporting to a much broader stakeholder group. We note that other frameworks (e.g., UN PRB) and general sustainability reporting go beyond sustainability-related financial information, which are not addressed by the standard. We would encourage greater standardisation in those domains but appreciate this is not the objective of the ISSB Draft Standard.
Core Content [ED Para11-35]	
Q4(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why/why not?	**Governance (para12):** The objectives are clear and appropriate. **Strategy (para 14):** The objectives are clear but note two additional matters for consideration: **a) Requirement to disclose strategies** Disclosures relating to opportunities and strategies could prejudice customers of the entity, and it could compromise the execution of the entity's corporate strategy by premature signalling of corporate direction to competitors. It is atypical for entities to reveal their strategies in competitive market economies.

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	We note that the SEC in its proposed rule '*The Enhancement and Standardization of Climate-Related Disclosures for Investors*' is aligned to this position and does not oblige the disclosure of opportunities: 'We are proposing to treat this disclosure as optional to allay any anti-competitive concerns that might arise from a requirement to disclose a particular business opportunity'[1] Therefore, we suggest that further nuance be considered relating to the disclosure of confidential and commercially sensitive strategies by limiting strategy disclosures to approaches to risk mitigation and enabling optionality for any broader disclosures of strategy and opportunity. There is precedent for such nuance within Australian corporations' law. Section 299A(3) of the *Corporations Act 2001 (Cth)* (link) provides an exemption where unreasonable prejudice will occur upon disclosure about future business strategies. The Australian securities regulator, Australian Securities and Investments Commissions (ASIC) provides guidance for ascertaining 'unreasonable prejudice in *Regulatory Guide RG247 Effective disclosure in an operating and financial review* (link) **b) Time horizons** Greater clarity on short-, medium- and long-term horizons for industries is suggested. Leaving horizons to the company to decide could result in challenges in comparability and considerations for financial disclosures. Refer to S2 Q7(a) response for ABA's recommended definitions. **Risk management (para 25)** The objectives are clear and appropriate. **Metrics and targets (para 27)** The objectives are clear.

[1] https://www.sec.gov/rules/proposed/2022/33-11042.pdf p63

Question	ABA Position
	We support the provision of relief for the first year for comparative information. Additional release for comparative period information may be required due to the nature of the information and data; the highly manual processes which will underpin the disclosures in the initial years; and evolving banking industry methodologies.
Q4(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why/why not?	We note previous comments regarding the need for definitions for 'sustainability' and 'sustainability-related', 'material' and 'significant' to our response in Q1(a). **Governance (para13):** The requirements are appropriate to their stated disclosure objective. **Strategy (para 15-24):** Refer to our response to Q4(a) We suggest the standard incorporate more discretion for the scope and detail for disclosure relating to strategy. **Risk management (para 26):** The definition of the processes to identify sustainability-related risks and opportunities does not have an appropriately clear scope. We suggest the standard mandate for an identification process that spans across the value chain (e.g., upstream, direct operations, downstream / financed activities) as well as from a double materiality perspective (e.g. impacts to Climate/Nature, and impacts by Climate/Nature). This will enhance the consistency of how sustainability-related risks and opportunities are identified. **Metrics and targets (para 27):** We support the reporting of appropriate metrics and targets. However, there are significant limitations at the present time with sustainability related metrics. Limitations include data quality, availability, comparability, methodological approaches are nascent and evolving, financial modelling which reflects sustainability risks are at a very early stage. For example, in banking there is no

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Question	ABA Position
	accepted damage function to apply towards the assessment of physical climate risk in lending portfolios. We strongly suggest the ISSB standard acknowledge the complexity and limitations of current and forward-looking metrics in its preamble to the standards. Additionally, we encourage the ISSB to encourage safe harbor provisions, as per the US Securities and Exchange Commission (SEC)[2]. The ISSB could also recommend the use of standardised methodologies where appropriate in paragraph 31(c).
Reporting entity [ED Para 37-41]	
Q5(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?	We support that the reporting should be for the consolidated entity. This would align sustainability-related financial reporting with other accounting standards, and it would align with Financial Statement reporting to increase greater integration of the standard.
Connected information [ED para 42-44]	
Q6(a). Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?	Refer to our response to Q4(a) Additionally, it is possible that there may be times where there is no direct link between a risk and opportunities. The entity may take the approach that the way to diversify a risk is to through unrelated opportunities.
Q6(b). Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?	Sustainability related risks and opportunities are often expressed in the future (for example for climate risks, projections are made to 2050), whereas financial reporting is expressed in the present state and is about historical performance. The requirement to incorporate forward looking views into the financial statements creates a potential disconnect and may introduce reliability issues. We suggest consideration be given to: • limiting the prospective disclosures of sustainability-related matters to the short or medium term (for example: 3-5 years). The extended external reporting could continue to report on the longer-term horizon or the long-

[2] Securities and Exchange Commission 'The Enhancement and Standardization of Climate-Related Disclosures for Investors' (S7-10-22) p45

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	term horizon could be discussed through qualitative disclosures within the financial report. • the audit requirements for future projections as there will be challenges and limitations which most likely preclude auditors from proving positive assurance.
Fair presentation [ED para 45-55]	
Q7(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the ED.	Over time, the ISSB sustainability standards should become the "source of truth" for sustainability related disclosures. The reporting burden on sustainability related matters needs to be reduced with entities presently reporting under multiple frameworks. Our view is that as sustainability issues emerge and are identified for disclosure the ISSB could lead the development of such disclosure requirements.
Materiality [para 56-62]	
8(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why/why not?	We appreciate that paragraphs 57-58 articulate characteristics materiality. However, we note that a definition of material has not been put forward in S1. We suggest that consideration be given to existing definitions of materiality such as that of the GRI[3] We also highlight that materiality of sustainability-related risks and opportunities may vary based on an organisation's business model, industry and geography. Therefore, careful consideration needs to be given to sector and geographical sustainability issues as standards are developed. Paragraph 60: we request clarification: does the entity need to disclose that it has not made specific disclosures as required by the standards due to the fact that risks identified are not material (i.e., similar to paragraph 62)?

[3] GRI 101: Foundation 2016 p10 (link)

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	Paragraph 61 results in too expansive a disclosure obligation. It is not appropriate to incorporate such a 'catch all' requirement given the nascent state of financial reporting sustainability-related matters and as financiers to the economy this requirement could be problematic for banks to implement. We have significant concerns that such requirements obligate the banking sector to become the 'policeperson' for entities within their value chain. We suggest deletion of paragraph 61.
Frequency of reporting [Para 66-71]	
Q9. Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statement to which they relate? Why/why not?	We support the disclosure of sustainability-related financial reporting annually. Whilst it is ideal for the sustainability-related financial disclosures to be provided at the same time as the financial statement to which they relate, we see this as the target state and not immediately achievable due to the data challenges, capability, and assurance concerns. We recognise that the rate of change and maturation will be substantial over the coming years and will enable concurrent reporting as envisaged by the standard. There is some precent for flexibility we would want to preserve – that the period of the information in the disclosures do not all need to align to same period as the financial statements to be included in the report. For example, in Australia, many banks report their GHG information in alignment to government NGER requirements which is 3 months out of sync with their financial statements and financial reporting year. In the UK for the Streamlined Energy and Carbon Reporting requirement, we are allowed to report on our GHG emissions using an Australian reporting year – therefore one set of data cut to meet the needs of the local reporting requirements, as regulator allows some flexibility in terms of the reported data set. Additionally, we note that presently half-yearly reporting would be subject to the availability of half-yearly data. Data presently and into the medium-term future will be static. Therefore, intra-year reporting should only be considered as a future state. As the future state of data improves by coming on-line and near real-time, half-yearly updates could be considered. Such intra-year update should only be

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	considered in the context of a material change to the most recent annual financial report. The lack of data will also challenge the delivery of sustainability reporting concurrent with financial reporting We suggest the standards accommodate a phasing in approach. For example, targeting concurrent disclosure for the financial year ending 2030.
Location of information [Para 72-78]	
Q10(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why/why not?	We agree that it is beneficial for the reporting entity to be able to choose where to disclose the information, and that it should be part of the suite of documents.
Q10(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why/ why not?	We agree and support the removal of duplication. Additionally, consideration may also need to be given for auditor use of cross references.
Q10(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why/why not?	We thank the ISSB for their presentation to the ABA where it was made clear that the expectation for reporting on governance, strategy, and risk management be made once. This is because the disclosure is to apply at a whole business level. This level of granularity is not present within the current draft. We suggest the requirement could be more specific. Additionally, we suggest the ISSB commit to providing status updates similar to those made by the TCFD. This will enable entities to consider best practice reporting and will encourage learning and quality uplift of disclosures.
Comparative information, sources of estimation and outcome uncertainty, and errors [Para 63-65, 79-83 and 84-90]	
Q11(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?	We note that this requirement is very different to current accounting standards. Even in the context of financial reporting, distinction is made between ‘error’ and ‘better estimate’.

Question	ABA Position
Q11(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives? Q11(c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?	In respect to statements made in error, we support the requirement to disclose the metric in comparative reports. However, we believe that most of the differences will be because of 'better' estimation methods or metrics. The rate of change will be significant in respect to methodology and modelling development and improvement as well as data acquisition, quality, and storage creation. These developments may enable more targeted scenario analysis or emissions factors in subsequent reporting periods and therefore could lead to disconnect in metrics from one reporting period to the next. Given the premise that each annual disclosure is made with the best possible knowledge and tools available at the time, we do not consider it reasonable to recalculate previous disclosures based on evolved techniques and data. We suggest the standards include clarifying language to the effect that resubmissions of past reports based on subsequent improvements to techniques and data not be required. It should be discretionary for entities to report on differences in these circumstances.
Statement of compliance [ED Para 91-92]	
Q12 Do you agree with this proposal? Why/why not? If not, what would you suggest and why?	The most significant issue we see with this proposal is that the forward-looking statements as envisaged by S1 and S2 may give rise to liability for misleading and deceptive disclosures. The following is the analysis of the Corporations Committee of the Business Law Section of the Law Council of Australia: *In the specific Australian context, there is a material risk that the forward-looking statements required to comply with ISSB ED S1 and S2 will give rise to liability for misleading and deceptive conduct under Australian law (for example, s1041H of the Corporations Act and s18 of the Australian Consumer Law). If a person makes a representation as to a future matter and the person does not have reasonable grounds for making the representation, the representation is taken to be misleading (Corporations Act s769C and Australian*

Question	ABA Position
	Consumer Law s4). In the case of the Australian Consumer Law, the maker of the representation is deemed not to have reasonable grounds unless they adduce evidence to the contrary. *The risk arises because of the drafting of various provisions of S1 sand S2. For example, S1, paragraph 79 requires disclosure even when metrics can only be estimated, stating that "even a high level of measurement uncertainty would not necessarily prevent such an estimate from providing useful information. An entity shall identify metrics it has disclosed that have significant estimation uncertainty, disclosing the sources and nature of the estimation uncertainties and the factors affecting the uncertainties." In practice, this would require a company to acknowledge that the forward-looking statement does not have a reasonable basis. The same issue arises under paragraph 82, which requires that "When considering possible outcomes, an entity shall consider all relevant facts and circumstances, and consider including information about low probability and high-impact outcomes".* *S2 also contains problematic requirements. Paragraph 14 says that "an entity shall disclose information that enables users of general purpose financial reporting to understand the effects of significant climate-related risks on its financial position … and the anticipated effects over the short, medium and long term". These effects are inherently unknowable. Paragraph 14 goes on to require the entity to disclose "how it expects its financial position to change over time, given its strategy to address significant climate-related risks and opportunities, reflecting its current and*

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	committed investment plans and their anticipated effects on its financial position (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements)"; and "how it expects its financial performance to change over time, given its strategy to address significant climate-related risks and opportunities (for example, increased revenue from or costs of products and services aligned with a lower-carbon economy"). *No other current law or accounting standard requires a company to make these types of speculative forward looking statements about financial impacts that are supposed to inform investors but are inherently uncertain. Indeed, Australian securities laws and ASIC policy guidance (ASIC Regulatory Guide 170) discourage statements involving speculation and supposition, as opposed to information that can be positively demonstrated to have a reasonable basis and that is based on reasonable assumptions rather than hypothetical projections.* *The legal requirement for a reasonable basis for these statements, coupled with the low threshold for shareholder and other stakeholder class actions in Australia, would create a material risk of breach and exposure to damages. If compliance with these standards becomes mandatory in Australia, these types of forward-looking statements should be excluded from current legal requirements that statements in published reports as to future matters have a reasonable basis – in effect they should be covered by an explicit "safe harbour" to encourage appropriate good faith disclosure without fear of litigation.*

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	We therefore question the assure-ability of such disclosures.
Effective Date ED Appendix B	
Q13(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.	Entities will require time to build capacity, systems, and reporting structures. The sustainability standards are a substantial addition to current financial reporting requirements. We suggest the standards incorporate a phasing approach. For example, some disclosures may be applicable earlier than others and some entities may be required earlier than others. We note that the SEC has incorporated a phased approach to disclosure under its draft rule. Refer to our submission on S2 for specificity on how such phasing may occur. We also suggest that it would be helpful for the ISSB standards to acknowledge mechanisms by which phasing in may occur to generate further alignment in national implementations and to promote global consistency.
Q13(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?	We support the proposed relief from disclosing comparatives in the first year of application. Additionally, consideration should be given to the likely scenario that an entity may only include some quantitative metrics in the first year and iteratively increase metrics over the coming years. We suggest that the relief for comparatives be extended to encompass the implementation phasing schedule. Also refer to response to Question 4(a).
Global baseline	
Q14. Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?	We strongly support and urge the ISSB to continue its work through the working group to enhance compatibility between global baseline and jurisdictional initiatives. We suggest that a broader forum of nations be included in this dialogue aligned to the scope of the Financial Stability Board's reach.
Costs, benefits and likely effects	

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Question	ABA Position
Q16(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?	Refer to the ABA response to S2 Q12
Q16(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?	
Other comments	
Q17. Do you have any other comments on the proposals set out in the ED?	The ABA strongly encourages the ISSB to outline its forward plan to enable entities to prepare for future development. The ISSB could consider prioritising a social issue as the next draft standard. Social issues are complicated and difficult to metricate. There are also differences between countries; for example, the treatment/issues regulating to First Nations people within Australia is very different to those of New Zealand, North America and Africa. Additionally, COVID has very prominently increased the social inequality between members of society, including workers' rights and safety in employment.

Appendix 2: [Draft] IFRS S2

Question	ABA Position
Objectives of the ED [Para1; BC21-BC22]	

Question	ABA Position
Q1a. Do you agree with the objectives that have been established for the ED?	We support the aspiration of the objectives but note the nascent state of climate reporting. We suggest the inclusion of a preambular statement acknowledging the nascency of this reporting and an expectation that it will grow into maturity over the coming years. Additionally, we note the objective's focus on climate related impacts on the entity (single materiality). We consider that in the future entities could be making disclosures using the principle of double materiality. That is, the impact the entity has on the climate as well. The formulation of disclosures based on single materiality may skew litigation risk faced by preparers because not all risks are required to be disclosed. Although there is significant complexity in developing disclosures based on double materiality, there is a proliferation of standards that have been developed by entities. Therefore, standardisation ought to be considered. We suggest that the ISSB issue a statement on its views relating to double materiality and incorporate double materiality into its forward plan for standard setting.
Q1c. Do the disclosure requirements set out the in ED meet the objectives described in paragraph 1? Why/why not? If not, what do you propose instead and why?	The standards are written to a 'one size fits all' entities approach. We suggest that the standards could accommodate for disclosure requirements for small enterprises which may not be resourced to complete accounts to this level of detail required under the ED.
Governance [Para4-5; BC57-BC63]	
Q2. Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?	Broadly Agree. However, entities should not be disclosing detailed controls and procedures in a public document. Further, the control environment would broadly be covered in the assurance processes. The standard could acknowledge that high level statements that indicate the presence of controls and procedures would be acceptable.

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Question	ABA Position
	We suggest the standard identify core or minimum objective based disclosures as broad disclosures will lessen comparability between entities. We also suggest the standard incorporate a worked example of what is an acceptable level of disclosure.
Identification of climate-related risks and opportunities Para9-11; BC64-BC65; ED Appendix B; ED-B16; ED-B18; ED-B19	
Q3a. Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear?	Refer to response to S1 Q1 and Q8 We suggest clarity for the definition of 'significant' and how this term relates to the concept of materiality. Also suggest greater guidance on the definitions of short, medium and long term.
Concentrations of climate-related risks and opportunities in an entity's value chain ED Para12; BC66-BC-68	
Q4a. Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain?	The requirement to report current, anticipated, significant climate-related risks and opportunities on the value chains of banks is problematic for banks. It is unclear to what level the value chain of banks ought to be considered. We suggest limits to banks financed activities to their customer's only at this stage. In terms of requirements to report concentrations, we suggest ranges would be more appropriate than a single number.
Q4b. Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?	Agree. Data unavailability will limit the ability of banks to quantify such risks; robust qualitative methods should be acceptable in such circumstances. It may be that qualitatively derived data can be used to supplement quantitative data even where quantitative date is available.
Transition plans and carbon offsets [Para 13; BC71-85]	
Q5a. Do you agree with the proposed disclosure requirements for transition plans?	We support the proposal. We note banks commitments to Net Zero Banking Alliance (NZBA) which is an element of the Glasgow Financial Alliance for Next Zero (GFANZ) will be a key driver for transition plans.

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Question	ABA Position
Q5b. Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.	It could be helpful for the entity to include critical assumptions, particularly underpinning what will be disclosed under paragraph 13(b)(ii)
Q5c. Do you think the proposed carbon offset disclosures will enable users of general-purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?	Carbon offset disclosures will enable understanding of an entity's approach to reducing emissions. For example, an entity can rely on offsets but continue to emit at the same rate without reducing emissions over time or an entity can rely on offsets temporarily whilst it operationalises plans to reduce emissions over time. It is important for banks to understand how offsets are used in the entity's transition plans. Challenge with the offsets market make it challenging to confirm credibility of the offset. Offsets can be bespoke, market for offsets is nascent. We suggest the ISSB reference best practice in voluntary carbon markets such as the Voluntary Carbon Markets Integrity Initiative, the Oxford Principles, or the Taskforce on Scaling Voluntary Carbon Markets. We welcome the ISSB approach to transparent disclosure of the use of carbon offsets however the ISSB should not be the arbiter of what is a credible offset. We support the current drafting of paragraph 13(b)(iii)(2)-(3) which specifies the information requirements on the certification of offsets.
Current and anticipated effects [para 15; BC96-BC100]	
Q6a. Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see para 14)?	We support the proposal and note that qualitative data for example counterparty analysis and deep sectoral analysis, provides an equally valid data source for company decision making. The examples have been used to illustrate the point, we are not proposing that the ISSB include these examples or specific types of qualitative data for disclosure.
Q6b. Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks	We acknowledge that the TCFD attempted to connect the "narrative with the financial statements". However, we note that entities are still challenged to do this.

Question	ABA Position

and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?	We suggest:
	• there needs to be clear worked examples and to set the standard for expectations of such disclosures. For example, in IAS 37 Provisions an appendix lists some examples of when to recognise a provision.
	• the ISSB consider examples of guidance from the IASB and Australian Accounting Standards Board which may be leveraged in developing its guidance.
	  ○ IASB Effects of climate-related matters on financial statements (link)
	  ○ AASB's 'Climate-related and other emerging risks disclosures' (link)
	• ISSB guidance is required on how to consider these risks in terms of financial performance across industries. That is, are there key metrics that should be reviewed? For example, are entities to consider all line items of the balance sheet and Profit and Loss statement. The absence of such guidance could lead to challenges in comparability of information which could leave investors confused when making comparison across the industry.
	• As many climate metrics and impacts are forward looking consideration of how this impact should be reflected is a key matter. For example, should such disclosures be qualitative?

Q6c. Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium, and long term? If not, what would you suggest and why?	We support the short-term and medium-term disclosures on an entity's position however we consider that the long-term is not appropriate. Long-term scenario analysis (greater than 5 years) relies on very significant assumptions which are not likely to prevail. Long-term scenarios are also subject to conjecture about what other economic actors may or may not do under assumed conditions. It is our view that such scenarios do not have a place in the financial reports of an entity. We suggest disclosures relating long-term impacts on an entity (e.g., beyond 5 years) be descoped from the financial statements of an entity. Long-term

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	projections are better accommodated in the non-financial external extended reports of entities. Additionally, greater guidance on proposed inclusions in disclosures would be helpful to address preparer uncertainty and to drive consistency across the industry.
Climate resilience [para 15; BC86-95]	
Q7a. Do you agree that the items listed in para 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?	We agree with the items listed for short term (1 year) or medium term (1-5 year) but not for the long term. Refer to our response to Q6 for further detail.
Q7b.i. Do you agree with this proposal?	We support the proposal and note that qualitative data, for example counterparty analysis and deep sectoral analysis, provides an equally valid data source for company decision making.
Q7b.ii. Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why?	Agree.
Q7b.iii. Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Q14(c) and if so, why?	We question the capacity for smaller organisations to undertake this level of analysis and suggest that an alternate be developed for these entities. We note the proliferation and inconsistency on the types of scenario analysis to be used. We suggest that a standardisation of scenarios by industry would be helpful.
Q7c. Do you agree with the proposed disclosures about an entity's climate-related scenario analysis?	We agree with the proposal in terms of detail expected to be provided. We suggest an accompanying reporting guide to this standard which would explain how the information is to be presented. Additionally, subject to the requirements of prudential and other regulators, the ISSB may consider a statement on the frequency with which scenario analysis is to be updated. For example, once every two years or specific portfolios of banks.

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Q7d. Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?	We strongly support the inclusion of alternative techniques.
Q7e. Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why/why not? If not, what do you recommend and why?	Refer to our response to Q12.
Risk management [Para 16-17, BC101-104]	
Q8. Do you agree with the proposed disclosure requirements for the risk management process that an entity uses to identify, assess and manage climate-related risks and opportunities? Why/why not? If not, what changes do you recommend and why?	Refer to response to S1 Question 4.
Cross-industry metric categories and GHG emissions [Para 19-22; BC105-118]	
Q9a. The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why/why not? If not, what do you suggest and why?	We see challenges with the following core disclosures: ***Scope 3 (Paragraph 21(a)(i)(3) and (a)(vi))*** The accurate calculation of Scope 3 emissions is extremely difficult. Any figures reported by banks are based on emerging methodologies and therefore subject to significant qualifying statements. There is significant reluctance amongst banks to change financial information to be consistent with the standard. We suggest a staged implementation of the standards with reporting of bank scope 3 emissions in the financial accounts to be deferred to a later date. **Vulnerable asset disclosures (Paragraph 21(b) and (c))**

Question	ABA Position
	In respect to the reference to the requirement to disclose the amount and percentage of vulnerable assets, we suggest clarification is required on whether this is current vulnerable assets or anticipated vulnerable assets. If current, the transition risk in the current sense will be challenging to estimate. This complexity will also exist in the case of making a determination on the extent of physical risk. For example, when ascribing water stress to a climate peril how would that stress be attributed to an asset? We suggest additional guidance be provided. Additionally, we suggest a definition of or a threshold for 'vulnerable' is required. **Climate related opportunities (Paragraph 21(d))** It is unclear how this would be measured. Does this requirement refer to current or potential opportunities? How to measure initiatives within the entity? **Internal carbon price (Paragraph 21(f))** We disagree with the requirement to disclose its internal carbon price. We consider internal carbon price to be akin to internally derived transfer price. The later is not disclosed to the market. We question the value add to the users of this information; additionally, the prescription of an internal carbon price within the standard is overly prescriptive. Finally, such a requirement creates a disincentive of preparers to use internal carbon prices. **Remuneration (Paragraph 21(g))** We suggest remuneration disclosures fit better within S1 as an overarching disclosure requirement.
Q9c. Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2, and Scope 3 emissions? Why/ why not? Should other methodologies be allowed? Why/why not?	W**e** agree that the GHG Protocol is the globally accepted methodology to categorise emissions.

Question	ABA Position
	However, the calculation (measurement) of emissions, particularly scope 3 financed emissions is complex. To this end, note the helpfulness of the emergence of the standards setting body Partnership for Carbon Accounting Financials (PCAF). And also note that despite the development of PCAF standards for financed emissions, there is need to localise the implementation of the methodology to accommodate or meet national conditions.
Q9d. Do you agree with the proposal that an entity be required to provide an aggregation of all seven GHGs for Scope 1, Scope 2, and Scope 3- expressed in CO_2 equivalent; or should the disclosures on Scope 1,2 and 3 emissions be disaggregated by constituent GHG (e.g., disclosing CH_4 separately from NO_2)?	We question whether this requirement can be met for the following reasons: • Scope 3 is challenging to estimate even at the macro GHG level without the added complexity of reporting by gas. Whilst reporting at such granularity may be appropriate for other sectors (e.g., mining or manufacturing) this is less material for a bank. Further the effort to disclose this level of detail outweighs the usefulness to decision makers. • To report accurately, banks rely on the supply chain to define gases at this level. Banks' supply chains include third parties that may have less mature reporting systems in place to track and quantify emissions.
Q9e preamble. Do you agree that entities should be required to separately disclosure Scope 1 and Scope 2 emissions for: Q9e.i. the consolidated entity	The focus should be on the consolidated entity.
Q9e.ii for any associates, JVs, unconsolidated subsidiaries, and affiliates? Why/why not?	The consolidated accounting group and subsidiaries reporting requirement is new and challenging to comply with in a cross-border context. It is recommended that disaggregated disclosure of consolidated entity emissions be optional.
Q9f. Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?	We support staged implementation of the requirements of S2 with Scope 3 emissions deferred to a later stage. We support further clarity on the definition of materiality.
Targets [Para 23; BC119-122]	
Q10a. Do you agree with the proposed disclosure about climate-related targets? Why or why not?	Support. We suggest the ISSB consider disclosures:

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	• When targets change and evolve as methodologies and estimates change. • How targets are to be managed if there are significant changes in the business activities or structure of the entity. Such changes could also be outside of the entity's control.
Q10b. Do you think the proposed definition of 'latest international agreement in climate change' is sufficiently clear? If not, what would you suggest and why?	We suggest that the definition is too broad and subject to varied interpretation. We suggest nominating a more specific group of agreements for example the agreements of the Conference of the Parties, or the G20.
Industry based requirements [Appendix B, B16, B18, B19; BC130-148	
Q11a. Do you agree with the approach taken to revising the SASB Standards to improve international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?	Agree with maintaining continuity and consistency with SASB is important to maintain. However, we see limitations of the way in which the incorporation of the SASB Standards is planned into [Draft] IFRS S2. These limitations are discussed in the remainder of Q11.
Q11b. Do you agree with the proposed amendment that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not?	We note that some industries are yet to be covered by the standards. This is because SASB is standards development prioritises financially material industries. We suggest that climate related financial disclosures should be material for all industries because it will take the efforts of all industries to decarbonise. Therefore, we strongly urge the ISSB considers how sectors hitherto not covered be including in the reporting standard.
Q11c. Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior period to continue to provide information consistent with the equivalent disclosures in prior periods? Why/why not?	We agree with the proposal however we suggest ISSB provide further detail relating to how these disclosures are to be made. For example, where an entity has both banking and insurance operations, it would be helpful to have guidance on how the disclosures are to be made and which standards are to apply. The same issue applies for those entities that that operate across multiple industries. SASB has issued guidance as to what is material, similarly we suggest ISSB specify the reporting requirement.

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Q11d. Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure?	There is significant concern with the mandating of the metrics in their current form for several reasons: • Data access, quality, availability will continue to be a challenge for the foreseeable future. • Metrics have not been broadly used it will take some time to implement these measures. • We do not believe that a case has been made for the utility of all the metrics proposed. We have experience that although some preparers do issue required metrics under existing standards, users may not be considering the data in their decision making. We consider this an unproductive use of preparers' limited resources. We suggest: • A careful consideration of each metric be undertaken with a focus on the utility of all the metrics listed in the industry-based requirements • Phased in approach be applied to the implementation of industry specific metrics through sequential pilots that are incorporated into the ISSBs forward plan. Additional matters requiring clarification: • The Commercial banks appendix has additional requirement for transition risk • Standardised methodologies to account for financed emissions exist although are incomplete and are evolving. The costs for implementation are not yet known (See also our response to Q12). We consider it premature to include Scope 3 financed and facilitated emissions as auditable items.
Q11e. Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance	We do not believe that the Global Industry Classification Standard (GICS) aligns to the Australian equivalent (ANZSIC). We suggest the ISSB standard should provide for the use of jurisdictional codes.

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entities? Why/why not? Are there other industries you would include in this classification? If so, why?	
Q11f. Do you agree with the proposed requirement to disclose both absolute and intensity-based financed emissions?	Partially agree; we support disclosure by asset class, and then by industry (in separate tables) but doing both (i.e., a matrix) would be excessive.
Q11g. Do you agree with the proposal to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?	We agree; this would be logical and would help cover legal obligations of entities.
Q11h. Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as PCAF's Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?	We agree provided that such a requirement would not preclude entities from using PCAF or other prescribed methodologies. We acknowledge that PCAF is aligned to the GHG protocol and that is has emerged as the dominant standard for financed emissions disclosures. We therefore suggest the ISSB recommends or prescribes PCAF.
Q11j. Do you agree with the proposed industry-based requirements? Why/why not? If not, what do you suggest and why?	Refer to responses to Q11a-h
Q11l. In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why/why not? If not, what do you suggest and why?	We seek clarity as to whether the ISSB's reference to 'commercial banks' intended to include Approved Deposit-taking Institutions (ADIs)? For example, there are some international banks operating in Australia that do not hold ADI license in Australia although they may hold an equivalent license in another country. An ADI license entails stricter/higher regulatory obligations. We suggest the industry description acknowledge this higher level of regulation. It will be an important distinction for future sustainability issues around economic and financial system stability (GSIBs, DSIBs) as well as privacy, governance of data, payment systems.
Costs, benefits, and likely effects [BC 46-48]	
Q12a. Do you have any comments on the likely benefits of implementing the proposals and the likely costs of	We note that the capability uplift, systems enhancements, data costs, and other costs will be very significant to the banking sector. As a point of comparison, the

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Question	ABA Position
implementing them that the ISSB should consider in analysing the likely effects of these proposals?	Australian banks' implementation of the Consumer Data Right (open data) cost the industry over AUD$1billion in four years. The uplift and systems enhancements requirements of the Consumer Data Right are a fraction of what will be required to enable banking for efficient and accurate reporting. Additionally, the recent scenario testing of five banks (the Australia equivalent of CBES) involved many hundreds of bank staff, some of whom were taken out of their daily duties to perform the test. Many banks also engaged consultants to support the work. Whilst we cannot provide detailed projections for the timeframe for upgrading capability and systems, we estimate not reaching a steady state for some years. In the case of climate, banks scope 3 disclosures are heavily dependent on the robustness of scope 1 and scope 2 disclosures of their customers. In the case of nature and social issues, the metrication and tracking of metrics is nascent. We see benefits to the implementation of S2 that include: • Clearer/transparent information for investors and stakeholders which can support their decision making • Consolidation of methodology is a benefit to the industry. Costs: • S2 will entail significant implementation costs. Implementation costs will be significant in absolute terms for large entities and significant in relative terms for smaller entities. • Accessing the data (when it exists) will also incur costs • Having the right people with the right skills will take time and will be expensive given the shortage of such skills in the market. • The standard requires an uplift in systems and the combining of financial and nonfinancial data sets to create new data. • Significant work will be required to develop the enabling tools such that they complement the banks' current architecture.

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	• We refer the ISSB to the report by the Sustainability Institute regarding the costs and benefits of climate-related disclosures which estimates issuer costs at circa US$500,000 per annum (here). We note that this estimation is likely to be an underestimate for banking given the complex data needs of banking and the complexity of models. Further this estimate does not include the greater costs of establishing the systems and people capability. • Assurance costs will increase, especially as some of the data will be challenging to acquire and to then confirm accuracy. From a cost (and achievability perspective) there is significant cost difference between limited and reasonable assurance. To ease the burden of cost on reporting entities, we suggest: • Support for the need for safe harbour provisions in the context of misleading and deceptive conduct. • Consideration be given to the establishment of a 'pre assurance' status in the pre-maturity phase of implementation of S2 • A recommendation to regulators to make known their expectations regarding the level of assurance for reporting entities. • Limited assurance on metrics, for example, assurance can involve testing the accuracy of the definition and not the measure itself. It is within the ambit of the bank to develop their models and not for the assurer to determine whether the model is right or wrong. • Open-source government provided, or validated data would assist banks to undertake reporting in a standardised way and will limit the efforts required for assurance. • Phased implementation of the standards which considers the size and complexity of the entity and the ability to accurately report on Scope 3

Question	ABA Position
	emissions (noting the limitations to such reporting to banks as described throughout this submission).
12b. Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?	We suggest publication of the ISSB's forward work plan or a consultation on a proposed forward plan.
12c. Are there any disclosure requirements included in the ED for which the benefits would not outweigh the costs associated with preparing that information?	
Verifiability and enforceability IFRS ED S1	
Q13. Are there any disclosure requirements proposed in the ED that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.	Some assurance professionals have indicated that they intend to audit the models of banks. We have significant reservations about auditors having the requisite banking and climate knowledge to be able to validate the assumptions underlying models. For further detail refer to our response to S2 Q12.
Effective date [BC190-BC194; IFRS ED S1]	
Q14a. Do you think that the effective date of the ED should be earlier, later or the same as that of [draft] IRFS S1 General Requirements for Disclosure of Sustainability-related financial information? Why?	We suggest the ISSB take additional time to consider the issues pertaining specifically to climate disclosures and therefore suggest a small delay between finalising S1 and S2 may be needed. For further detail refer to our Q14b response.
Q14b. When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparations that will be required by entities applying the proposals in the ED.	Refer to response to S1 Q13. There are several complexities which will require resolution for banks to report under S2. We note that the timing for reporting into the national context is subject to individual jurisdictions, however, it would be helpful for the S2 standard to acknowledge the current state of lack of readiness to implement the S2 standards as though in a mature state. There are several issues the ISSB ought to consider: • The standard assumes that entities already have the data required to report on the metrics and this is not always the case.

Question	ABA Position
	• It is not the case that metrics are calculated the same by entities of the same industry within a country. This is exemplified by the New Zealand implementation with the standard setter, the XRB, has enabled industry collaboration to develop and access the required data. In Australia exemptions to the competition laws would possibly be required to achieve this level of collaboration. • The envisaged process requires live data feeds which are not yet achievable. • Banks will need to upscale their human resource capability • Banks will need to align scenarios for comparability • Banks will need to develop their financial models to accommodate climate financial risk parameters • Systems changes may be required to store new climate data • Systems changes may be required to automate the analysis of exposures to climate risk. Currently such information is held in systems inaccessible form and requires manual review of client files. • Banks are highly dependent on customers reporting of customer scope 1 and 2 emissions for banks to report accurately on their scope 3 emissions. Such reporting is nascent. • Auditability of the resultant disclosures. We suggest that: • new standards will require a two-year process to implement in their minimum viable product format (and not to be provided to any level of assurance) and from there to build out the maturity of the systems. The rollout could be aligned to that adopted by the TCFD which commenced with the largest entities first.

Question	ABA Position
	• as a principle that entities which meet current requirements to produce general purpose financial statements could be listed for earlier phasing in irrespective of whether the entity is listed on a securities exchange. • Scope 3 emissions reporting for banks be delayed for a further two years. • reporting be done on a full-year basis with interim reporting only required for material changes from the full-year disclosures.
Global baseline	
Q16. Are there any particular aspects of the proposal in the ED that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What do you suggest instead and why?	Refer to response in S1 Q14

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Appendix 3: [Draft] ED Volume B19 Mortgage Finance

<table>
<tr><th>Subsection</th><th>ABA Position</th></tr>
<tr><td>Metrics (FN-MF-450a.1)

(1) Number and (2) Value of mortgage loans in 100-year flood zones</td><td>Australia presently does not have a commonly accepted national approach to designation/identification of 100-year flood zones. Without additional guidance on acceptable source of data disclosures will be of variable quality and likely to not be comparable between lenders. Additionally, the use of number and value of loans in 100-year flood zones will not have a direct relationship a lender’s current climate risk exposure. Fluvial (riverine floods), pluvial (flash floods and surface waters) flooding peril coverage is commonly included within general household insurance held as a requirement of mortgage finance. Disclosure of collateral identified as potentially flood exposed without providing context for insurance coverage would significantly overstate the risk to mortgage finance providers.

Reporting against this metric in the absence of reliable data would fail to meet the ISSB objective to allow assessment of the effects of significant climate-related risks on enterprise value. The ISSB should consider making disclosure of this metric optional based on the maturity of data available in the region and require contextual information on the impact of insurance.

We suggest the following considerations or amendments:
Industry description needs to be more general.
Is this metric based on current risk or is it situated as in climate exposure in 100 years? Where is the climate overlay?
Consider whether the metric should be 1 in 50 years
Look at all loans, where located, are they in the zone, what is the # and value – risk now on current portfolio.
Do you prescribe at a country level the source of the data – this has been removed?
Metric does not take into consideration insurability of the property</td></tr>
<tr><td>Metrics (FN-MF-450a.2)

(1) Total expected loss and (2) Loss Given Default (LGD) attributable to</td><td>This metric appears to be backward looking not forward looking. We suggested clarity in respect to what it is intended to show. For example, is it the intention that entities disclose their provisions for potential future climate related events?

We further note:
Can ‘loss given default (and similar metrics) be aligned to the relevant accounting standard? For example, AASB/IFRS 9.</td></tr>
</table>

mortgage loan default and delinquency due to weather-related natural catastrophes, by geographic region	• Broadly definitions are the same but suggest it best to reference those standards to avoid potential for confusion. • In respect to weather related natural catastrophes we seek clarification on what is in scope. • We suggest clarifying whether there is a timeframe requirement for example, losses up to 2030.
Metrics (FN-MF-450a.3) **Description of how climate change and other environmental risks are incorporated into mortgage origination and underwriting**	We seek clarity from the ISSB's forward plan as to whether there will be a requirement to consider home lending processes with a broader sustainability lens in future standards (for example social risks around affordability).

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Appendix 4: [Draft] ED Volume B16 Commercial Banks

Subsection	Discussion
Metrics (FN-CB-1) **(1) Gross exposure to carbon-related industries, by industry, (2) total gross exposure to all industries, and (3) percentage of total gross exposure for each carbon-related industry**	**Refer to response to Q1d-h** **In addition:** Inclusion of the Homebuilding and Real Estate Management & Development categories will result in double counting of exposures from embodied emissions in building products (counted in the Construction Materials category), and electricity (counted in the Electric Utilities, Gas Utilities and Multi Utilities categories). Endeavours should be made to limit double counting of exposures.
Metrics (FN-CB-2) Percentage of gross exposure included in the financed emissions calculation	Banking sector has a role in assisting with transparency of sectors across all scopes. It provides a significant benefit to the market. In the first instance, we suggest a phased approach based on a 'significance' threshold by sectoral emissions factors. Further, we suggest considerations to be applied to calculation using current methodologies.
Metrics (FN-CB-3) For each industry by asset class: (1) absolute gross (a) Scope 1 emissions, (b) Scope 2 emissions, (c) Scope 3 emissions and (2)	There is not necessarily a linear relationship between levels of financed emissions and climate transition risks facing financial institutions. For example, the recent energy commodity price boom highlights that highly carbon-intensive energy suppliers can often be resilient in the short term (1-7 years) to transition scenarios due to the low costs associated with their business and high profit margins. A lender to oil and gas would report high financed emissions but in the short term would expect a relatively low impact on expected credit losses from climate-related risks within usual timeframes of general purpose financial reporting. Likewise, a lender to Construction Materials or Homebuilding categories would not necessarily experience elevated credit losses as these industries are essential in meeting the resilience challenges of climate change. The ISSB (and local standard setters such as the AASB) should exercise caution when equating transition risks exposure to simple metrics of Scope 3 emissions.

gross exposure (i.e., financed emissions)	
Metrics (FN-CB-4) For each industry by asset class: (1) gross emissions intensity by (a) Scope 1 emissions (b) Scope 2 emissions, and (c) Scope 3 emissions, and (2) gross exposure (i.e., financed emissions)	**Refer to comment for FN-CB-4**
Metrics (FN-CB-5) methodology used to calculate financed emissions	The technical estimation of financed emissions in Australia is in its infancy with available calculation methods for SME business activities being inaccurate. Recent supply chain engagement for value chain carbon accounting has found commonly used industry default factors have overestimated actuals by up to 96%. In the absence of accepted measurement criteria, the inclusion of Scope 3 financed emissions jeopardises the ability of organisations to produce reliable financial statements. The ISSB (and local standard setter, ASSB) needs to acknowledge the challenges of financed emissions estimation and allow for a staged approach for regional method development. It is recommended that initially SME lending is excluded, and commercial lending Scope 3 emissions are limited to Oil, Gas & Consumable Fuels, and Electric Utilities, Gas Utilities and Multi Utilities.