



27 July 2022

Mr Emmanuel Faber
Chair
International Sustainability Standards Board
7 Westferry Circus
Canary Wharf
London, E14 4HD

Dear Mr Faber

AUSTRALIAN COUNCIL OF FINANCIAL REGULATORS COMMENT LETTER

This is a joint comment letter by Australia's Council of Financial Regulators (**CFR**).

CFR is the coordinating body for Australia's main financial regulatory agencies. There are four members: the Australian Prudential Regulation Authority (**APRA**), the Australian Securities and Investments Commission (**ASIC**), the Australian Treasury and the Reserve Bank of Australia (**RBA**).

CFR established a climate working group in 2017 having identified '*improving the ability of Australian corporates and financial institutions to manage the financial risks associated with climate change and to provide high-quality comparable disclosures on these risks*' as a key priority.

In November 2021, the Australian Government welcomed the announcement of the establishment of the International Sustainability Standards Board (**ISSB**) as a crucial next step to drive more consistent, comparable disclosures.

We therefore welcome the opportunity to comment on the International Sustainability Standards Board (**ISSB**) *Exposure Draft IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information)* (**IFRS S1**) and *Exposure Draft IFRS S2 (Climate-related Disclosures)* (**IFRS S2**).

General comments

We consider that the provision of consistent, comparable and reliable climate and sustainability-related information by entities enhances transparency and is a critical component of ensuring investors can make fully informed decisions and capital markets remain fair and efficient. As such, CFR's members have encouraged entities with material exposure to climate change to consider reporting voluntarily under the recommendations of the G20 Financial Stability Board's Taskforce on Climate-Related Financial Disclosures

(TCFD).¹ High quality sustainability disclosures improve the resilience of banks and insurers and promotes financial stability.

We express our support for:

- the establishment of the ISSB to deliver a comprehensive global baseline for sustainability-related disclosure standards that provide investors and other capital market participants with information about entities' sustainability-related risks and help them make informed decisions.
- the 'climate-first' approach to standard-setting adopted by the ISSB.
- the work of the ISSB to date including, but not limited to, the publication of, and current consultation on, IFRS S1 and IFRS S2.
- the incorporation of the recommendations of the TCFD.
- the formation of the working group of key relevant jurisdictional representatives to establish a dialogue for enhanced compatibility between the ISSB's exposure drafts that are currently open for comment and ongoing jurisdictional initiatives on sustainability disclosures.

Whilst we also express our in-principle support for adopting IFRS S1 and IFRS S2 (subject to their final form) as reporting standards in Australia, the commencement, scope and mandatory nature of any new reporting regime are ultimately matters for the Australian Government to determine.

Specific comments

Without detracting from the broad support as described above, we draw attention to the following matters which, in our view, may benefit from further consideration as the ISSB progresses towards finalisation of IFRS S1 and IFRS S2:

- transitional and phasing arrangements that balance demands for information from investors and other users with giving adequate time for reporting entities to prepare for new disclosure requirements (including upskilling, developing appropriate systems and processes, and having access to necessary data).
- whether some flexibility may be required in terms of the proportionality and/or scalability of the standards where they are applied to smaller entities. This is particularly relevant for Australia given the large number of small to medium sized listed entities in Australia relative to some other international jurisdictions.²
- the need for clear and consistent definitions, guidance and support for entities adopting the proposed standards, in order to promote consistent and comparable disclosure. For example, ISSB guidance on applying the 'significance' and 'materiality' criteria in IFRS S1, and the distinction between the two, as well as a clearer definition of the value chain and its operational boundaries.
- whether the industry-based disclosures in Appendix B to IFRS S2 and paragraph 54 of IFRS S1 should be field tested by some issuers in different industries and jurisdictions. Experience from the field tests may assist to improve those metrics and ensure their relevance and applicability across different jurisdictions.

¹ 86% of ASX50 entities in 2021 reported (either fully or partially) under the TCFD recommendations or disclosed that they were in the process of aligning their reporting to the TCFD recommendations. Further, 80 ASX200 companies aligned (or partially aligned), their disclosure to the TCFD recommendations. See [Promises, pathways and performance: Climate Change Disclosure](#).

² [Historical market statistics \(asx.com.au\)](#)

CFR has, through its Climate Working Group, consulted with industry stakeholders, including bodies representing entities and investors, and professional accounting bodies and has considered their feedback in preparing this comment letter.

ASIC is contributing to input to the ISSB as a member of the International Organisation of Securities Commissions (**IOSCO**) Sustainability Technical Review Coordination Group. APRA is also contributing to feedback through the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors.

If you would like to discuss this with us further, please contact Claire LaBouchardiere, Senior Executive Leader, Corporations, ASIC at Claire.LaBouchardiere@asic.gov.au or on +612 9911 2226.

Yours sincerely,



Helen Rowell
Deputy Chair, APRA
Chair, CFR Climate Working Group

About CFR

CFR's objectives are to promote stability of the Australian financial system and support effective and efficient regulation by Australia's financial regulatory agencies.³ In doing so, we recognise the benefits of a competitive, efficient and fair financial system. The members achieve this by:

- identifying important issues and trends in the financial system, with a focus on those that may impinge upon overall financial stability
- exchanging information and views on financial regulation and assisting with coordination where members' responsibilities overlap
- harmonising regulatory and reporting requirements, paying close attention to regulatory costs
- ensuring appropriate coordination among the agencies in planning for and responding to instances of financial instability; and
- coordinating engagement with the work of international institutions, forums and regulators as it relates to financial system stability.⁴

³ [Charter – About – Council of Financial Regulators \(cfr.gov.au\)](#)

⁴ See above.