SUBMISSION

Submission to the Australian Accounting Standards Board — IFRS Accounting Standard: *Climate-related and other uncertainties in financial statements – proposed illustrative examples*

4 October 2024

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Australian Accounting Standards Board

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Via email: standard@aasb.gov.au

4 October 2024

Dear Sir/Madam

Consultation on exposure draft of International Financial Reporting Standards (IFRS) Accounting Standard: ***Climate-related and other uncertainties in financial statements – proposed illustrative examples***

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to the Australian Accounting Standards Board regarding its consultation on the exposure draft for the IFRS Accounting Standard: *Climate-related and other uncertainties in financial statements – proposed illustrative examples*.

About ASFA

ASFA has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers. We develop policy positions through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians.

Comments

ASFA supports the adoption by Australia of internationally-aligned standards for climate-related financial reporting. ASFA also supports the Australian Accounting Standards Board (AASB) formally establishing detailed disclosure standards, aligned as far as practicable with the final standards issued by the International Sustainability Standards Board (ISSB).

ASFA supports the inclusion of superannuation entities into the regime for mandatory climate reporting. APRA-regulated superannuation funds have a responsibility to manage the impact of risks and opportunities arising from climate change on long-term investment performance. Across the business ecosystem, good-quality disclosure of climate-related risk will facilitate a more efficient and sustainable allocation of capital (including by superannuation funds) than otherwise would be the case, and support Australia's transition to a low-carbon economy.

With respect to the current consultation, ASFA supports the International Accounting Standards Board (IASB) developing examples to illustrate how entities should apply the requirements in IFRS Accounting Standards to report the effects of climate-related risks in financial statements. Well-targeted examples would be expected to improve the reporting of the impacts of climate-related risks.

The IFRS Sustainability Disclosure Standards (*S1: General Requirements for Disclosure of Sustainability-related Financial Information* and *S2: Climate-related Disclosures*), are designed primarily where a reporting entity is a for-profit, private-sector issuer of capital, and where the end-users of the reporting are 'primary users of general-purpose financial reports'.

Note, that with respect to for-profit private sector entities, the objective of general-purpose financial reporting (as defined in the AASB's Conceptual Framework for Financial Reporting), is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity. Those decisions involve decisions about:

- buying, selling or holding equity and debt instruments;
- providing or settling loans and other forms of credit;
- or exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources.

By this definition, primary users are typically wholesale financial institutions that make decisions regarding the provision of new debt and equity funding to corporate entities.

In Australia, the intention is to apply the IFRS Sustainability Disclosure Standards to superannuation funds, which differ in form from the typical private sector corporate entity (that is, a for-profit private sector entity that issues equity and/or debt in order to fund its own operations).

Superannuation funds – the primary institutional arrangement within the superannuation industry – invest in equity or debt-based assets on behalf of their individual members. Further, around three-quarters of assets under management within the superannuation industry are held by funds that can be defined as 'not-for-profit'. Within the broader superannuation supply chain – which includes administrators, asset custodians and fund managers – business models can also differ from the typical private sector corporate entity.

The ISSB has acknowledged potential challenges faced by some entities in interpreting the standards. For example, IFRS S1 states that "If entities with not-for-profit activities in the private sector or the public sector apply this Standard, they might need to amend the descriptions used for particular items of information when applying IFRS Sustainability Disclosure Standards."

Accordingly, while the provided examples of guidance are helpful, entities that are *not* private-sector, for-profit issuers of capital would benefit from additional guidance – particularly in relation to materiality thresholds including in *Example 2: Materiality judgements not leading to additional disclosure*.

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If you have any queries or comments in relation to the content of our submission, please contact Andrew Craston on 0401 016 587 or by email acraston@superannuation.asn.au.

Yours sincerely

James Koval

Head of Policy and Advocacy