Norges Bank
Investment
Management

Australian Accounting Standards Board
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Exposure Draft of the Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information

We refer to the Australian Accounting Standards Board (AASB)'s Exposure Draft of the Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information. We welcome the opportunity to continue contributing our perspective on the Australian climate disclosure regime, following our previous consultation responses to the Treasury.

Norges Bank Investment Management (NBIM) is the investment management division of the Norwegian Central Bank and is responsible for investing the Norwegian Government Pension Fund Global. NBIM is a globally diversified investment manager with 2,234 billion AUD at year end 2023, 31.9 billion of which invested in the shares of Australian companies.

As a long-term, global investor, we consider our returns over time to be dependent on sustainable development in economic, environmental and social terms. We need consistent, comparable and reliable information from companies on social or environmental issues which are financially material to their business. We rely on information related to the current performance of a company, as well as information on drivers of value that might be predictive of its long-term performance. This information feeds into our investment decisions, our risk management processes and our stewardship activities.

We have a clear interest in this information being reported in a consistent and comparable manner across markets, and in disclosure regimes based on global standards. We strongly support the International Sustainability Standards Board (ISSB) and its mission of providing a global baseline for sustainability-related financial disclosures. The ISSB standards IFRS S1 and S2 build on existing frameworks and standards, such as the Taskforce on Climate-Related Financial Disclosures Recommendations (TCFD), and maintain its four-pillar structure around governance, strategy, risk management, and metrics and targets. Furthermore, the ISSB standards have been endorsed by the International Organisation of Securities Commissions (IOSCO) to support the integration of sustainability-related financial information in capital markets. We believe that global comparability and consistency of information can be best achieved by the alignment of jurisdictional regimes with the ISSB standards through the so-called "building blocks" approach, which allows standard setters to address any jurisdiction-specific policy objectives by adding on the global baseline.

We welcome the AASB's stated intention to achieve alignment with international initiatives. However, we note that the drafting of the Australian Sustainability Reporting Standards ASRS 1 and ASRS 2 introduce a number of key changes to the ISSB's approach, which risk undermining the goal of global comparability. An inconsistent implementation of the ISSB baseline standards would increase the reporting burden for any corporate operating across border, and hinder the consistency of information for users of these disclosures.

We note in particular that the scope of ASRS 1 is limited to climate-related risks and opportunities, and removes references to other sustainability-related risks and opportunities. IRS S1 includes a transition relief for reporting on sustainability-related risks and opportunities beyond climate. The preview to the IFRS Adoption Guide also includes the possibility for jurisdictions to extend the transition relief already embedded in the IFRS Standards, should the jurisdiction wish to focus on climate reporting for an initial period. If the AASB and Treasury's intention is to achieve a climate-first policy goal, this could be addressed by an extension of this transition relief, rather than a limitation of the scope of the standard to climate only. We have similarly encouraged the Australian Treasury to develop a broader sustainability reporting framework.

Furthermore, we encourage the AASB to reconsider the decision to deviate from the ISSB baseline by not requiring any industry-specific information in ASRS 1 and ASRS 2. Investors have long valued industry-specific disclosures, which can reflect the materiality of different sustainability-related risks and opportunities across business sectors and are often integrated in the ESG risk management and integration frameworks. We therefore suggest AASB includes in the final standards the reference to SASB Standards, which have provided a decision-useful framework on sustainability information for many years. A reference to SASB, as included in IFRS S1 and S2, can help drive consistency and comparability of disclosures across reporting entities in the same industry.

Finally, we would like to suggest amendments on the requirements regarding the measurement and disclosure of GHG emissions and financed emissions, with the aim to improve comparability with international frameworks. IFRS S2 provides for the use of different GHG measurement methodologies in specific circumstances, such as when the entity is required by a jurisdictional authority or exchange where it is listed to use a different method. However, the Standard still requires entities to disclose material Scope 3 emission information on the 15 categories defined in the GHG Protocol Value Chain Standard. We suggest AASB reconsiders the proposal to remove such requirement, as it can result in reduced comparability with other jurisdictional requirements that base their measurement and disclosure regimes on the GHG Protocol. Similarly, the Exposure Draft ASRS S2 removes the requirement for disclosure of financed emissions for entities in the asset management, commercial banking and insurance industries. We note that the requirement to

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merely "consider" such disclosure may reduce the usefulness and completeness of disclosed information on transition risks in financial institutions.

We thank you for considering our perspective and remain at your disposal should you wish to discuss these matters further.

Yours sincerely

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