



Project:	Climate-related Financial Disclosure	Meeting:	19 and 22 July 2024 (M206)
Topic:	References to the SASB Standards and Industry-based Guidance on Implementing IFRS S2 (SMC 4) and the requirement to consider ANZSIC when voluntarily making industry-based disclosures (SMC 5)	Agenda Item:	4.1.4
		Date:	12 July 2024
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		Decision-Making:	High
		Project Status:	Consider ED feedback

Objective

- The purpose of this paper is for the AASB to:
 - consider the stakeholder feedback received on SMCs 4 and 5 in ED SR1; and
 - decide whether any changes should be made to the proposals in ED SR1 in relation to the industry-based guidance and disclosure requirements.¹

Summary of staff recommendations

- Staff recommend that the Board continue with the decision to **omit** the paragraphs from the IFRS S1 and IFRS S2 baseline requiring an entity to “refer to and consider” the SASB Standards and the IFRS S2 *Industry-based Guidance as an interim measure* (further explained in paragraph 5). As the content has not been subjected to the AASB’s due process, staff believe there is insufficient information to conclude whether this content is suitable for the Australian context at this stage.
- Staff also recommend that the Board continue with the preliminary decision to **omit** the paragraphs from the IFRS S1 and IFRS S2 baseline requiring industry-based disclosures **as an interim measure** (further explained in paragraph 5). Staff believe requiring “industry-based” disclosures (e.g. metrics) in the ASRS Standards would be problematic without providing clear guidance on what “industry-based” means.

¹ As explained in the Cover Memo accompanying this staff paper, the staff recommendations in this paper are made in the context of the body of ASRS 2 or the proposed Australian-specific appendix (or equivalently-named item) to ASRS 2 only. They are not related to a non-mandatory (‘voluntary’) equivalent of IFRS S1 that would cover sustainability-related financial disclosures.

- 4 Staff consider ANZSIC an unsuitable source of guidance to be referred to in the ASRS Standards and therefore recommend the Board **omit** proposed Aus paragraphs related to this.
- 5 Subject to the Board’s decision on the above, staff would undertake **a separate project(s)** to examine the suitability of the SASB Standards, the IFRS S2 *Industry-based Guidance* and/or industry-based disclosures for Australian use at some stage **after the ASRS Standards have been finalised**. This would signal the Board’s intention to redeliberate this matter in the future while, at the same time, affording short-term flexibility that will likely simplify compliance with the ASRS Standards in the immediate future.

Structure

- 6 This paper is structured as follows:
 - (a) [Section One](#): Background
 - (b) [Section Two](#): Stakeholder feedback summary
 - (c) [Section Three](#): Staff analysis and recommendations
 - (d) [Appendix A](#): Extracts from IFRS S1 and [Draft] ASRS 1
 - (e) [Appendix B](#): Extracts from IFRS S2 and [Draft] ASRS 2
 - (f) [Appendix C](#): The SASB Standards and the *IFRS S2 Industry-based Guidance*

Section One: Background

- 7 IFRS S1 requires an entity to “refer to and consider” the applicability of the SASB Standards in respect of two areas, which are summarised in the following table:

REFERENCE TO THE SASB STANDARDS	IFRS S1 REFERENCES
Refer to and consider the applicability of the disclosure topics in the SASB Standards when identifying sustainability-related risks and opportunities	Paragraph 55(a)
Refer to and consider, in the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, applying judgement to consider the applicability of the metrics associated with the disclosure topics included in the SASB standards	Paragraphs 57-58

- 8 Additionally, IFRS S2 requires an entity to “refer to and consider” the applicability of the IFRS S2 *Industry-based Guidance* in respect of three areas, which are summarised in the following table:

REFERENCE TO IFRS S2 <i>INDUSTRY-BASED GUIDANCE</i>	IFRS S2 REFERENCES
Refer to and consider the applicability of the disclosure topics in the IFRS S2 <i>Industry-based Guidance</i> when identifying climate-related risks and opportunities	Paragraph 12
Refer to and consider the applicability of the industry-based metrics associated with disclosure topics in the IFRS S2 <i>Industry-based Guidance</i> for cross-industry metrics in preparing disclosures in relation to strategy	Paragraph 23

Refer to and consider the applicability of the **industry-based metrics** associated with disclosure topics in the IFRS S2 *Industry-based Guidance* in preparing disclosures in relation to metrics and targets

Paragraph 32

- 9 The IFRS S2 *Industry-based Guidance* was developed based on the content in the SASB Standards and is therefore consistent with the SASB Standards in the industry classifications, disclosure topics, metrics and technical protocols, and activity metrics.² However, the disclosure topics listed in the IFRS S2 *Industry-based Guidance* are a narrower subset of the disclosure topics in the SASB Standards.
- 10 ED SR1 proposed modifying the IFRS Sustainability Disclosure Standards baseline by:
- (a) omitting paragraphs requiring an entity to “refer to and consider” the SASB Standards and the IFRS S2 *Industry-based Guidance*; and
 - (b) replacing omitted paragraphs with Aus paragraphs that directed entities to disclosures by entities operating in the same industry as classified in the Australian New Zealand Standard Industrial Classification (ANZSIC).
- 11 [Appendix A](#) and [Appendix B](#) summarise the proposed modifications to the IFRS Sustainability Disclosure Standards baseline requirements presented in ED SR1.
- 12 Proposed modifications in ED SR1 meant that an entity would not be *required* to:
- (a) refer to and consider the applicability of the disclosure topics in the SASB Standards and the IFRS S2 *Industry-based Guidance* when identifying climate-related risks and opportunities;
 - (b) refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 *Industry-based Guidance* when determining industry-based metrics to disclose; or
 - (c) disclose industry-based metrics.
- 13 ED SR1 proposed that an entity that *voluntarily* chooses to produce industry-based disclosures should refer to and consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC.
- 14 The AASB’s rationale for modifying the IFRS Sustainability Disclosure Standards baseline requirements is outlined in paragraphs BC39-41 of ED SR1, which are replicated below.

Extract from ED SR1

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

- BC39 Feedback to ED 321 highlighted that, while most stakeholders supported the development of industry-based requirements as a part of sustainability reporting, they did not support the proposals in [draft] IFRS S1 and [draft] IFRS S2 that would require an entity to:
- (a) apply the SASB Standards in the absence of a relevant IFRS Sustainability Disclosure Standard; and
 - (b) disclose the industry-based metrics proposed in Appendix B to [draft] IFRS S2 (issued by the ISSB as *Industry-based Guidance on Implementing IFRS S2*), which had been adapted from SASB Standards
- BC40 The AASB decided not to incorporate in [draft] ASRS 1 the requirements in IFRS S1 relating to SASB Standards and the industry-based metrics adapted from SASB Standards that entities are required to consider because:

² Paragraph IB10 in IFRS S2 *Accompanying Guidance on Climate-related Disclosures*.

	<p>(a) the ISSB’s public consultation period was too short for Australian stakeholders to appropriately consider the proposals in Appendix B to [draft] IFRS S2 and for the AASB to appropriately apply its own due process;</p> <p>(b) feedback to ED 321 indicated that the SASB Standards are US-centric and not representative of the Australian or global market; and</p> <p>(c) not all of the proposals in Appendix B to [draft] IFRS S2 (issued by the ISSB as <i>Industry-based Guidance on Implementing IFRS S2</i>) are related to climate-related risks and opportunities.³</p>
BC41	<p>Consequently, the AASB decided not to publish the industry-based guidance accompanying IFRS S2, or include references to SASB Standards, until the content has been comprehensively internationalised by the ISSB and has undergone the AASB’s own due process. However, the AASB acknowledges that an entity that wishes to make additional, voluntary disclosures using SASB Standards, or the Standards listed in Appendix C of IFRS S1, would be able to do so.</p>
BC42	<p>Additionally, the AASB observed that entities in Australia are required to apply the industrial classification system, the <i>Australian and New Zealand Standard Industrial Classification</i> (ANZSIC), issued by the Australian Bureau of Statistics under existing Australian legislation and regulations. The AASB also observed that ANZSIC and the SASB Sustainable Industry Classification System (SICS) are not aligned. Accordingly, to avoid introducing requirements that would require an entity to use an industrial classification system that is not aligned with ANZSIC, the AASB decided to introduce an Australian-specific requirement that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC (see paragraphs [draft] ASRS 1 paragraphs Aus48.1, Aus55.1 and Aus58.1 and [draft] ASRS 2 paragraphs Aus32.1 and Aus37.1).</p>

15 The AASB proposed two SMCs in relation to the abovementioned matters in ED SR1:

- (a) **SMC 4** asked stakeholders whether they agreed with the Board’s rationale for omitting the paragraphs from IFRS S1 and IFRS S2 baseline that require an entity to “refer to and consider” the SASB Standards and the IFRS S2 *Industry-based Guidance*; and
- (b) **SMC 5** asked stakeholders whether they agreed with the proposed requirement to consider the applicability of “well-established and understood metrics” associated with the entity’s industry as classified in ANZSIC when making industry-based disclosures.

16 Due to the interconnectedness between SMC 4 and SMC 5, any decisions related to SMC 4 would likely be influenced by decisions related to SMC 5. Consequently, staff elected to combine the stakeholder feedback and staff analysis/recommendations on SMC 4 and SMC 5 into a single paper to help simplify and streamline Board decision-making on these matters.

Section Two: Stakeholder feedback summary

Stakeholder feedback summary – SMC 4

17 SMC 4 sought stakeholder views on whether they agreed with the Board’s rationale for omitting the paragraphs from IFRS S1 and IFRS S2 baseline that require an entity to “refer to and consider” the SASB Standards and the IFRS S2 *Industry-based Guidance*.

18 Specifically, SMC 4 of ED SR1 asked stakeholders the following question:

³ For purposes of clarity, Appendix B to [draft] IFRS S2 (issued by the ISSB as *Industry-based Guidance on Implementing IFRS S2*) referred to in this paragraph is now the non-authoritative guidance accompanying IFRS S2 (issued by the ISSB as IFRS S2 *Industry-based Guidance on Implementing Climate-related Disclosures*).

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

19 A summary of the quantitative and qualitative feedback for this SMC is presented in the following two sections of this paper.

Quantitative feedback summary

20 The AASB received 117 comment letters and 289 survey responses for ED SR1. Of these, 66 comment letters and 93 survey respondents clearly expressed a view on SMC 4.

21 The following table summarises the responses received on SMC 4 (rounded to the nearest %).

	Agree	Partially agree	Disagree
Out of the 66 comment letters that expressed a clear view on SMC 4 ⁴	50%	11%	39%
Out of the 93 survey responses that commented on SMC 4 ⁵	62%	17%	20%

22 The quantitative results presented above show that most respondents either agreed or partially agreed with the proposals in ED SR1. Nevertheless, the results indicate that the proposal was contentious, particularly among comment letter respondents.

Qualitative feedback summary⁶

23 Most respondents agreed or partially agreed with the AASB proposal to remove the requirements from IFRS S1 and IFRS S2 for an entity to consider the applicability of the SASB Standards and references to the IFRS S2 *Industry-based Guidance*.

24 Reasons provided to support this perspective included that:

- (a) the SASB Standards had not been comprehensively internationalised and therefore are not necessarily representative of, or suitable for, the Australian market;⁷
- (b) the SASB Standards have not been through the AASB’s own due process;⁸
- (c) a flexible approach that allows for the consideration and use of any voluntary reporting frameworks (e.g. SASB Standards, GRI Standards, etc.) may be better suited to providing useful information for meeting stakeholder needs;⁹

⁴ Some respondents did not clearly express their agreement, partial agreement or disagreement with a proposal in their comment letters. Accordingly, staff applied judgement in categorising the overall comments expressed in the comment letters. An overview of stakeholder feedback expressed in the comment letters is presented as Agenda Paper 4.1.8 for the Board’s reference.

⁵ The survey responses have been provided separately for the Board’s reference.

⁶ Roundtable participants were mixed in their support for SMC 4, with stakeholders expressing views favouring and opposing the proposal. This paper integrates the reasons provided to support and oppose SMC 4 raised by stakeholders during outreach sessions.

⁷ For example, comment letters 1, 3, 9, 12, 38, 42, 49, 64, 74, 82, 83, 84, 95, 97, 68, 108, and survey responses S19, S25 and S31.

⁸ For example, comment letters 3, 38, 49, 82, 83, 95, 97, and survey response S25.

⁹ For example, comment letters 70, 88, 90, 93, 108, and survey responses S190 and S192.

- (d) there are differences in alignment between the SASB Sustainable Industry Classification System (SICS) and other commonly used classification codes in Australia (e.g. ANZSIC);¹⁰
- (e) entities that do not fall within a single industrial classification would potentially have to report across multiple industrial classification codes, which would potentially reduce the comparability of these industry-based disclosures;¹¹
- (f) the SASB Standards do not cover all sectors/industries (e.g. not-for-profit and public sector entities) that may be captured by Australia's mandatory climate-related financial disclosures reporting regime;¹² and
- (g) the relevance and scope of certain disclosures required under the SASB Standards were seen to be unclear.¹³

25 Respondents also noted that the proposed omissions would potentially offer additional benefits of:

- (a) reducing the reporting burden entities face when initially transitioning to reporting under Australia's mandatory climate-related financial disclosure reporting regime;¹⁴ and
- (b) promoting Trans-Tasman harmonisation because the SASB Standards are not required under New Zealand's mandatory climate-related financial disclosure reporting regime.¹⁵

26 A few stakeholders agreed or partially agreed with the AASB proposal but recommended that the AASB consider this an interim (i.e. short-to-medium-term) measure only and revisit the decision once the SASB Standards have been sufficiently internationalised and/or subject to the AASB's due process.¹⁶

27 A few stakeholders suggested that the AASB consider developing industry-based guidance as soon as practical.¹⁷

28 Some respondents disagreed with the AASB proposal. Reasons for this view included concerns that:

- (a) it represents an unnecessary departure from the international 'baseline' of IFRS Sustainability Disclosure Standards because:
 - (i) the SASB Standards only need to be considered rather than used;¹⁸
 - (ii) it will reduce international comparability, consistency, and interoperability;¹⁹ and

¹⁰ For example, comment letters 4, 12, and 104.

¹¹ For example, comment letter 90 and survey response S19.

¹² For example, comment letter 37 and Brisbane roundtable 3.

¹³ For example, comment letter 97 and Brisbane roundtable 1.

¹⁴ For example, comment letters 11 and 101 and survey responses S156 and S214.

¹⁵ For example, comment letter 6.

¹⁶ For example, comment letters 9, 12, 13, 15, 16, 26, 41, 55, 67, 68 and 108.

¹⁷ For example, comment letters 13, 55, survey response S13, Brisbane roundtable 1 and Melbourne roundtable 4.

¹⁸ For example, comment letters 7, 18, 34, 43, 54, 65, 77, 81, 86, and survey responses S128 and S217.

¹⁹ For example, comment letters 27, 31, 35, 60, 76, 94, 110, 111, survey responses S4, S187, Perth roundtable 1, Virtual roundtable 3, Melbourne roundtables 3 and 4.

- (iii) when coupled with the requirement to consider ANZSIC, it may significantly hinder an entity's ability to claim compliance with IFRS.²⁰
 - (b) the SASB Standards have (after the publication of ED SR1) been internationalised in a narrow-scope project by the IFRS Foundation;²¹
 - (c) the SASB Standards were considered by some respondents as the best available source for global industry-based guidance;²²
 - (d) the SASB Standards were considered by some respondents to be particularly useful for certain sectors (e.g. energy and mining and metals);²³
 - (e) the SASB Standards may help to improve the quality of disclosures relating to an entity's climate-related risks and opportunities;²⁴
 - (f) the SASB Standards are already in use by certain Australian companies;²⁵
 - (g) the SASB Standards were considered to provide a reasonable starting point for industry-based disclosures and may be considered better than nothing (or the alternative of ANZSIC);²⁶ and
 - (h) the US-centric focus in the SASB Standards should not prohibit their use because the US is the largest capital market globally.²⁷
- 29 Respondents that disagreed with the AASB's decision to remove the requirement to disclose industry-based metrics noted concerns regarding:²⁸
- (a) the lack of alignment with IFRS S1 and IFRS S2; and
 - (b) the importance of industry-based metrics for users (i.e. utility for investors).
- 30 A few respondents who disagreed with the removal of the requirement to disclose industry-based metrics recommended that the AASB instead consider providing a transitional period where industry-based disclosures are not required to provide sufficient time to develop appropriate guidance.²⁹
- 31 One respondent agreed with the AASB's decision to remove the requirement to disclose industry-based metrics as it would allow entities time to upskill and focus on the cross-industry metrics.³⁰

²⁰ For example, comment letters 21 and 40.

²¹ For example, comment letters 18, 34, 40, and survey responses S107 and S205.

²² For example, comment letters 43, 98, survey responses S129, Hobart roundtable, and Sydney roundtable 4.

²³ For example, Melbourne roundtable 2, Perth roundtable 1 and Sydney roundtable 3.

²⁴ For example, comment letters 24, 103 and survey response S107.

²⁵ For example, comment letter 98 and survey response S4.

²⁶ For example, Hobart roundtable, Brisbane roundtable 1 and Geelong roundtable.

²⁷ For example, comment letter 14.

²⁸ For example, comment letters 30, 55, 65, 98, virtual roundtable 1 and Sydney roundtable 3.

²⁹ For example, comment letters 55 and 65.

³⁰ For example, comment letter 82.

Stakeholder feedback summary – SMC 5

32 SMC 5 sought stakeholders views on whether they agreed with the proposed requirement to consider the applicability of “well-established and understood metrics” associated with the entity’s industry as classified in ANZSIC when making industry-based disclosures

33 Specifically, SMC 5 of ED SR1 asked stakeholders the following question:

Do you agree with the AASB’s view that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC? Please provide reasons to support your view.

34 A summary of the quantitative and qualitative feedback for this SMC is presented in the following two sections of this paper.

35 Staff observe SMC 5 focused on asking stakeholders whether they agreed with the approach of using ANZSIC industry classifications to identify applicable industry-based metrics for disclosure, and did not ask stakeholders specifically about using industry-based information from entities in the same ANZSIC industry to identify climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects.

Quantitative feedback summary

36 The AASB received 117 comment letters and 289 survey responses for ED SR1. Of these, 53 comment letters and 86 survey respondents clearly expressed a view on SMC 5.

37 The following table summarises the responses received on SMC 5 (rounded to the nearest %).

	Agree	Partially agree	Disagree
Out of the 53 comment letters that expressed a clear view on SMC 4 ³¹	30%	19%	51%
Out of 86 survey responses that commented on SMC 4 ³²	69%	19%	13%

38 The quantitative data presented above indicate that SMC 5 received mixed support from respondents. While most survey respondents supported the proposal, the majority of comment letter respondents disagreed with it.

Qualitative feedback summary³³

39 Many respondents agreed with the AASB proposal that if an entity elects to make industry-based disclosures, the entity should consider the applicability of well-established and understood metrics

³¹ Some respondents did not clearly express their agreement, partial agreement or disagreement with a proposal in their comment letters. Accordingly, staff applied judgement in categorising the comments expressed in the comment letters. An overview of stakeholder feedback expressed in the comment letters is presented as Agenda Paper 4.1.8 for the Board’s reference.

³² The survey responses have been provided separately for the Board’s reference.

³³ The cover memo explains that SMC 5 was not specifically addressed in the roundtable outreach sessions. However, there were instances where stakeholders provided feedback on SMC 5 due to the interconnectivity

associated with particular business models, activities or other common features that characterise participation in the same industry, as classified in ANZSIC.

- 40 Reasons provided by stakeholders to support this view included that:
- (a) it will help to promote consistency and comparability in the information available to GPFR users when an entity elects to make industry-based disclosures voluntarily;³⁴
 - (b) ANZSIC is already used for industry-level reporting by the ABS in Australia, so it is helpful to avoid introducing a new requirement when ANZSIC does not align with SASB SICs;³⁵ and
 - (c) some entities use ANZSIC to calculate Scope 3 emissions of a supply chain via the input-output analysis in Australia, so it helps ensure consistency when an entity already uses this approach.³⁶
- 41 Some respondents partially agreed with the AASB’s proposal but recommended the AASB:
- (a) offer flexibility for circumstances where there may be interoperability issues and/or reporting obligations in jurisdictions that do not use ANZSIC;³⁷ and
 - (b) use ANZSIC as an interim measure only until industry-based guidance is developed by the AASB or the SASB Standards have been sufficiently internationalised and undergone the AASB’s due process.³⁸
- 42 A few stakeholders expressed mixed views on the appropriateness and meaning of “well-established and understood metrics” in the proposed amendment:
- (a) a few agreed in principle with the prescriptive use of ANZSIC but expressed concerns that the “well-established and understood metrics” wording is ambiguous and such metrics may not exist due to the developing nature of the reporting landscape;³⁹ and
 - (b) a few disagreed with the prescriptive use of ANZSIC but agreed that entities should only refer to “well-established and understood metrics”.⁴⁰
- 43 A few stakeholders expressed a desire for the AASB to develop, or make available, a mapping between ANZSIC and the most prevalent global classification frameworks/systems—for example, the Global Industry Classification Standard (GICS) and the International Standard Industrial Classification (ISIC)—should the proposal be carried through into the final ASRS Standards.⁴¹
- 44 Some stakeholders encouraged the AASB to consider a less prescriptive approach to using ANZSIC and offer more optionality for an entity to choose an alternative classification system, where deemed appropriate, based on their particular facts and circumstances. Examples of potential alternative

between SMC 4, 5 and 6. Where stakeholders provided feedback on SMC 5, it has been integrated into this paper.

³⁴ For example, comment letters 1, 9, 20, 49, 74, 75, 88, and 113, and survey responses S156 and S196.

³⁵ For example, comment letters 4, 20, 42, 53, 95 and survey response S31.

³⁶ For example comment letter 41.

³⁷ For example, comment letters 11, 12, 21 and 38.

³⁸ For example, comment letter 15, 55 and survey response S217.

³⁹ For example, comment letter 9 and 64.

⁴⁰ For example, comment letters 67 and 68.

⁴¹ For example, comment letters 54, 62, 94, 108 and survey response S13.

systems included the SASB SICs, GICS, and the Nomenclature of Economic Activities (NACE) adopted by the ESRS Standards in the European Union (EU).⁴²

45 Some respondents disagreed with the AASB's proposal. Reasons provided against this proposal included that:

- (a) ANZSIC may be unsuitable for entities that span multiple industry classifications or subsidiaries that have a different industry classification than a parent entity;⁴³
- (b) ANZSIC has a geographical focus that is limited to Australia and New Zealand rather than a global focus, which serves to limit global comparability;⁴⁴
- (c) ANZSIC industry peers are not always easily identifiable based on freely available information, which serves to undermine any comparability across industries/sectors;⁴⁵
- (d) ANZSIC may not be appropriate for all industries or entities;⁴⁶
- (e) it represents an unnecessary departure from the international 'baseline' of IFRS Sustainability Disclosure Standards;⁴⁷
- (f) alternative classification systems (e.g. GICS) were seen to be more widely used internationally;⁴⁸
- (g) ANZSIC does not provide guidance on appropriate metrics itself;⁴⁹
- (h) it creates challenges for entities already reporting under SASB Standards;⁵⁰ and
- (i) ANZSIC usage and understanding was seen to be limited.⁵¹

46 Further to the above, stakeholders also observed that:

- (a) ANZSIC contains multiple tiers of classifications according and the [draft] ASRS Standards do not specify which tier should be considered;⁵² and
- (b) ANZSIC industry codes can be subjected to ongoing revisions, creating difficulties for consistent and comparable industry classifications over time.⁵³

⁴² For example, comment letters 34, 40, 62, 65, 67, 68, 81, 82, 86, 92, 97, 104, 105, 110, and survey response S190.

⁴³ For example, comment letter 37, 38, 84, 101, and survey responses S19, S20, S21, S22, S136 and S216.

⁴⁴ For example, comment letters 6, 21, 26, 27, 62 and virtual roundtable 1.

⁴⁵ For example, comment letters 6, 37, 73, 94 and Brisbane roundtable 2.

⁴⁶ For example, comment letters 9, 64, survey responses S30, S214, and Canberra roundtable 1.

⁴⁷ For example, comment letters 7, 26, 65 and survey response S115.

⁴⁸ For example, comment letters 18, 54, 81, 82 and 109.

⁴⁹ For example, comment letters 40, 65, 77 and 82.

⁵⁰ For example comment letter 5.

⁵¹ For example, comment letter 26, Brisbane roundtable 2 and Sydney roundtable 4.

⁵² For example comment letter 40.

⁵³ For example, comment letter 65 and Sydney roundtable 3.

Question to Board members

Q1. Do Board members have any questions about the summaries of stakeholder feedback on SMC 4 or SMC 5?

Section Three: Staff analysis and recommendations

- 47 Staff observe that respondent feedback on **SMC 4** tended to focus on two thematic issues.
- 48 The first theme related to whether the SASB Standards and the IFRS S2 *Industry-based Guidance* are an appropriate basis for additional disclosures in the ASRS Standards. This is where the majority of qualitative stakeholder feedback was concentrated. The second theme related to whether the final ASRS standards should incorporate a requirement to provide industry-based disclosures, which was a requirement in the IFRS Sustainability Disclosure Standards baseline but received relatively less respondent feedback.⁵⁴
- 49 Staff observe that respondent feedback on **SMC 5** identified a range of significant issues that fundamentally challenge the suitability of ANZSIC as an appropriate basis for additional disclosures in the ASRS Standards. Specifically, staff are of the view that the use of ANZSIC in the context of climate-related financial disclosures would be problematic because:
- (a) identifying industry peers via ANZSIC may be impractical because this information is not freely available or readily accessible;
 - (b) ANZSIC has a geographical focus on Australia and New Zealand that limits global comparability (which is a core tenet underpinning the IFRS Sustainability Disclosure Standards baseline);
 - (c) ANZSIC is an industry classification tool *only*, which does not provide any guidance on industry-based disclosure topics or metrics; and
 - (d) references to ANZSIC would be a deviation from the IFRS Sustainability Disclosure Standards baseline that may create significant challenges for entities that voluntarily report via the SASB Standards or those wishing to comply with IFRS Sustainability Disclosure Standards.
- 50 Staff note that the potential advantages associated with using ANZSIC, such as improved comparability and consistency, may be significantly limited for the above reasons. Consequently, staff **do not consider** ANZSIC an appropriate basis for additional disclosures in the ASRS Standards when identifying climate-related risks and opportunities or industry-based disclosures.

Question to Board members

Q2. Do Board members agree with the staff view in paragraph 50 that ANZSIC is not an appropriate basis for additional disclosures in the ASRS Standards when identifying climate-related risks and opportunities or industry-based disclosures?

⁵⁴ With hindsight, staff believe it may have been preferable to separate SMC 4 into two different SMCs.

- 51 Considering the above, staff have identified two main issues for the Board’s deliberation:
- (a) **Issue 1:** whether the SASB Standards and the IFRS S2 *Industry-based Guidance* is considered an appropriate basis for additional disclosures in the ASRS Standards; and
 - (b) **Issue 2:** whether to require industry-based disclosures in the ASRS Standards.
- 52 The above two issues, including potential options for responding to them, are summarised in the following two tables:

<u>ISSUE 1</u> Whether the SASB Standards and IFRS S2 <i>Industry-based Guidance</i> is considered an appropriate basis for additional disclosures in the ASRS Standards		
Option 1 (ED SR1)	Option 2	Option 3 (IFRS baseline)
Omit references to SASB and IFRS S2 <i>Industry-based Guidance</i> .	Change “shall refer to and consider” to “may consider” SASB and IFRS S2 <i>Industry-based Guidance</i> .	Reinstate “shall refer to and consider” to SASB and IFRS S2 <i>Industry-based Guidance</i> .

<u>ISSUE 2</u> Whether to require industry-based disclosures in the ASRS Standards		
Option 1 (ED SR1)	Option 2	Option 3 (IFRS baseline)
Omit requirements for industry-based disclosures.	Change “shall disclose” to “may disclose” industry-based disclosures.	Reinstate “shall disclose” industry-based disclosures.

- 53 Staff analysis and recommendations concerning Issue 1 and Issue 2 are presented in the following two sections.
- 54 Furthermore, staff have compiled additional information about the SASB Standards and the IFRS S2 *Industry-based Guidance*, including specifics on the ISSB’s current projects related to enhancing this content. This additional information is presented in [Appendix C](#), which the Board may find useful when considering the options discussed in the following sections.

Issue 1: The appropriateness of the SASB Standards and the IFRS S2 *Industry-based Guidance* in an Australian context

- 55 A key issue for the Board to decide on is whether the SASB Standards and the IFRS S2 *Industry-based Guidance* can be considered an appropriate basis for additional disclosures in the ASRS Standards (**Issue 1**) at this time.
- 56 Staff have shortlisted three potential options for the Board’s consideration of Issue 1:
- (a) **Option 1:** omit requirements for an entity to “refer to and consider” the applicability of the SASB Standards and references to the IFRS S2 *Industry-based Guidance* from the ASRS Standards (consistent with ED SR1);
 - (b) **Option 2:** change the requirement that an entity “shall refer to and consider” the applicability of the SASB Standards and references to the IFRS S2 *Industry-based Guidance* from the ASRS Standards to “may refer to and consider”; or

- (c) **Option 3:** reinstate the requirement that an entity “shall refer to and consider” the applicability of the SASB Standards and references to the IFRS S2 *Industry-based Guidance* in the ASRS Standards (consistent with IFRS Sustainability Disclosure Standards baseline).
- 57 Staff observe that the SASB Standards and the IFRS S2 *Industry-based Guidance* are used for different purposes in IFRS S1 and IFRS S2. As such, they need to be evaluated in two aspects:
- (a) the appropriateness of the SASB Standards and IFRS S2 *Industry-based Guidance* disclosure topics for identifying climate-related risks and opportunities; and
 - (b) the appropriateness of the metrics associated with disclosure topics in the IFRS S2 *Industry-based Guidance*.
- 58 The framing of SMC 4 did not distinguish between the usefulness of the disclosure topics in the SASB Standards, as opposed to the metrics in the IFRS S2 *Industry-based Guidance*, and therefore, it is not possible to distinguish respondent feedback at this level of granularity.
- 59 The IFRS Sustainability Disclosure Standards baseline requires an entity to “refer to and consider” the relevant non-authoritative guidance content. Staff understand that the ISSB has received requests from jurisdictions to provide guidance on what is required of an entity when it must “refer to and consider” the applicability of the relevant guidance. Staff anticipate that the ISSB will provide guidance on this at a later date.
- 60 Staff also observe that the relevant non-authoritative guidance content an entity would be required to “refer to and consider”—the SASB Standards and the IFRS S2 *Industry-based Guidance*—has not been subjected to the AASB’s own due process.
- 61 In the context of an impending legislative commencement date for the ASRS Standards, the Board agreed in August 2023 that it would defer any work on non-mandatory guidance until after issuing the Standards.⁵⁵ This is a key consideration as staff consider that there is insufficient information to conclude whether this content is suitable in the Australian context at this time.
- 62 Staff observe that the ISSB is currently undertaking a project to enhance the SASB standards and the IFRS S2 *Industry-based Guidance*, suggesting this content may change in the short-to-medium term. Staff note that ISSB staff have identified the climate-related content in the SASB Standards as one potential improvement area as part of the broader enhancement works on the SASB Standards.⁵⁶
- 63 Staff also observe that since the publication of ED SR1, the SASB standards have been subject to an internationalisation process by ISSB staff. However, the internationalisation process was designed as a limited-scope project, and the individual amendments were not subject to the ISSB’s full due process.⁵⁷
- 64 The Board could introduce transition relief to defer requirements to “refer to and consider” the SASB Standards and the IFRS S2 *Industry-based Guidance* in the ASRS Standards until a later date. However, staff would not recommend this approach because there is no clear timeframe for the Board to assess the suitability of this content and no clear indication of what the outcome of this assessment might be. In other words, providing transition relief for disclosure requirements based on content that has

⁵⁵ Refer to [AASB Action Alert \(Issue No: 224\)](#).

⁵⁶ Appendix C provides further details on this matter.

⁵⁷ The ISSB removed and replaced jurisdiction-specific references and definitions without significantly altering industry groupings, disclosure topics, or metrics. As a result, the ISSB decided to consult on the process used to make the amendments to the SASB Standards, rather than consulting on the individual amendments themselves.

not been subject to the AASB's due process may be inappropriate as it could be seen as pre-empting the due process outcome.

- 65 Staff acknowledge that a complete reversion to the IFRS Sustainability Disclosure Standards baseline, as described in **Option 3**, would strengthen the alignment between the ASRS Standards and the IFRS Sustainability Disclosure Standards. However, for the reasons described above, staff do not believe it would be appropriate for the ASRS Standards to require entities to “refer to and consider” this content at this stage.
- 66 While the AASB prioritises alignment with the IFRS Sustainability Disclosure Standards baseline, staff believe the proposed amendments are necessary in the Australian context. The concerns raised by the AASB when it first developed ED SR1, many of which were supported by respondents, are still significant. Overall, staff consider the above-listed concerns, along with those noted by stakeholders in paragraphs 24(a)-(g), as sufficient justification for departing from the IFRS Sustainability Disclosure Standards requirements at least as an interim measure.
- 67 Subject to the Board agreeing with this recommendation, staff would recommend the Board add a separate project to the work program to explore the appropriateness of the SASB Standards and the IFRS S2 *Industry-based Guidance* in an Australian context. This would signal that the Board's decision would be an interim measure revisited *after* the ASRS Standards finalisation.
- 68 Staff acknowledge that changing the IFRS Sustainability Disclosure Standards baseline requirements from “shall refer to and consider” to “may consider”—consistent with **Option 2**—could represent a compromise between jurisdictional factors and alignment with the IFRS Sustainability Disclosure Standards baseline. While staff recognise the benefits of closer alignment with the IFRS Sustainability Disclosure Standards baseline, staff have reservations as to whether this may be the preferred approach, as the:
- (a) amendments would still be a departure from the IFRS Sustainability Disclosure Standards baseline as they would need to be reflected as Aus paragraphs in the ASRS Standards;
 - (b) Aus paragraphs would still refer preparers to guidance that has not been subjected to the AASB's own due process; and
 - (c) approach may be seen to pre-empt the outcome of any future domestic consultation the AASB may choose to undertake on the utility of the sources of guidance.

Issue 1: Staff recommendations

- 69 For the reasons identified above, staff recommend that the Board pursue **Option 1** and omit references to the SASB Standards or the IFRS S2 *Industry-based Guidance* for purposes of finalising the ASRS Standards as an interim measure, as this approach:
- (a) was supported by a majority of respondents to SMC 4;
 - (b) does not preclude an entity from complying with the IFRS Sustainability Disclosure Standards by making incremental disclosures and referring to and considering guidance material in the identification of climate-related risks and opportunities;
 - (c) will reduce the reporting burden with ASRS Standards in the initial years of domestic implementation;
 - (d) does not preclude the AASB from introducing references to the SASB Standards and/or the IFRS S2 *Industry-based Guidance* in future;

- (e) will afford the AASB additional time to consider the approach to guidance domestically and monitor ISSB developments related to the SASB Standards and the IFRS S2 *Industry-based Guidance*; and
- (f) aligns with the AASB’s decision to defer consideration of the non-authoritative content issued by the ISSB until it has issued the ASRS Standards.

70 To the extent that the Board agrees with the staff recommendations in this section, staff also recommend the Board add another project to its work plan to explore the suitability of the SASB Standards and the IFRS S2 *Industry-based Guidance* after the finalisation of the ASRS Standards. This approach would signal the Board’s intention to redeliberate this matter in the near future while, at the same time, affording short-term flexibility that will likely simplify compliance with the ASRS Standards in the immediate future.

Questions to Board members

- Q3.** Do Board members have any questions about the summary of staff analysis or recommendations concerning **Issue 1**?
- Q4.** Do Board members agree with the staff recommendation identified in paragraph 69 to omit references to the SASB Standards and the IFRS S2 *Industry-based Guidance* for purposes of finalising the ASRS Standards (**Option 1**)? If not, what would the Board prefer as an alternative?
- Q5.** Subject to Board members agreeing with staff recommendations in Q4, would Board members agree with the staff recommendation identified in paragraph 70 relating to the work plan? If not, what would the Board prefer as an alternative?

Issue 2: Requiring industry-based disclosures

- 71 The next key issue for the Board to decide is whether it is appropriate for the ASRS Standards to require industry-based disclosures (**Issue 2**). Staff note that the Board’s deliberations on this matter will likely be influenced by decisions related to Issue 1.
- 72 Staff have shortlisted three potential options for the Board’s consideration of Issue 2:
- (a) **Option 1:** omit requirements for industry-based disclosures (consistent with ED SR1);
 - (b) **Option 2:** change “shall disclose” industry-based disclosures to “may disclose”; or
 - (c) **Option 3:** reinstate “shall disclose” industry-based disclosures (consistent with IFRS Sustainability Disclosure Standards baseline).
- 73 Subject to the Board’s decision concerning Issue 1, staff believe that requiring “industry-based” disclosures (e.g. metrics) is problematic without providing guidance on what “industry-based” means. Staff do not have sufficient information to recommend any specific alternative to the SASB Standards or the IFRS S2 *Industry-based Guidance* for determining “industry-based” disclosures at this stage and, for reasons already discussed, do not consider ANZSIC an appropriate basis for “industry-based” disclosures.
- 74 Staff note that conceptually, the inclusion of industry-based disclosure requirements in the ASRS Standards may offer a range of benefits, including:

- (a) improving the extent and quality of information available to users of GPF;R;
- (b) enhancing the assessment of climate-related risks and opportunities;
- (c) enhancing comparability and consistency, both internationally and domestically; and
- (d) enhancing international interoperability.

75 However, staff consider that unless the Board has specified a basis for what is meant by “industry-based”, including a requirement to disclose “industry-based” information (whether voluntary or mandatory) will likely create additional confusion and implementation challenges for preparers.

76 After considering respondent feedback on SMC 5, staff consider the terms “well-established and understood metrics” problematic when describing industry-based disclosures. This is because:

- (a) the meaning of the term is unclear and likely to be interpreted differently by different entities, creating potential disclosure and assurance challenges;
- (b) the term is not used in the IFRS Sustainability Disclosure Standards baseline and creates uncertainty in relation to existing requirements in the baseline;⁵⁸
- (c) the relatively immature nature of the local and international sustainability reporting environment means the existence of any “well-established and understood metrics” may be limited; and
- (d) it may hinder innovation and the development of new industry-based disclosures because “established” metrics are, by definition, historical in nature.

77 As staff have insufficient information to recommend drafting any specific alternative to the SASB Standards or the IFRS S2 *Industry-based Guidance* at this stage, staff do not recommend **Option 2** (“may disclose” industry-based metrics) or **Option 3** (“shall disclose” industry-based metrics) unless the Board has also retained the references to the SASB Standards and the IFRS S2 *Industry-based Guidance* as part of Issue 1.

78 Staff observe that the existing principles in IFRS S1 allow an entity to provide *more* information than required by the minimum disclosure requirements to meet the Standard’s disclosure objectives, provided they do not obscure material information.⁵⁹ Consequently, entities can disclose industry-based information if they consider it relevant to meeting the ASRS Standard’s objectives without specific disclosure requirements.

Issue 2: Staff recommendations

79 Overall, staff believe that **Option 1** is the preferable approach because it would:

- (a) not preclude an entity from complying with the IFRS Sustainability Disclosure Standards by making incremental disclosures, even though the omission is not consistent with the international baseline;
- (b) reduce the reporting burden on preparers in the early years of implementation;

⁵⁸ For example, it may be open to debate as to whether metrics presented in the SASB Standards would constitute “well-established and understood” metrics for purposes of the [draft] ASRS Standards.

⁵⁹ This matter is further considered in Agenda paper 4.1.5.

- (c) mitigate potential confusion created by requiring industry-based disclosures without providing guidance as to how “industry-based” should be interpreted;
- (d) not preclude the AASB from introducing a requirement for industry-based disclosures in the future, subject to due process requirements;
- (e) potentially mitigate the risk of entities implementing sustainability reporting processes that are misaligned with the outcome of any future due process decisions regarding industry-based disclosures (which is a shortcoming of Option 2); and
- (f) not conflict with the timing of industry-based disclosures in [Treasury’s Policy Position Statement](#).

- 80 Consequently, consistent with **Option 1**, staff recommend the Board continue with the decision to remove the requirement for industry-based disclosures (including references to “well-established and understood metrics”).
- 81 Should the Board agree with the staff recommendations in this section, staff also recommend the Board add a project to its work plan to explore the suitability of the requirement for industry-based disclosures after the finalisation of the ASRS Standards. Depending on the Board’s earlier decisions, this project could be done independently or in combination with a project exploring the suitability of the SASB Standards and IFRS S2 *Industry-based Guidance*. This approach would signal the Board’s intention to redeliberate this matter in the near future while offering flexibility that will likely simplify compliance with the ASRS Standards in the short term.

Questions to Board members

- Q6.** Do Board members have any questions about the summary of staff analysis or recommendations concerning **Issue 2**?
- Q7.** Do Board members agree with the staff recommendation identified in paragraph 80 to not require industry-based disclosures in the ASRS Standards (**Option 1**)? If not, what would the Board prefer as an alternative?
- Q8.** Subject to Board members agreeing with staff recommendations in Q7, would Board members agree with the staff recommendation identified in paragraph 81 relating to the work plan? If not, what would the Board prefer as an alternative?

Appendix A: Extracts from IFRS S1 and [Draft] ASRS 1

Requirements in IFRS S1		Requirements in [Draft] ASRS 1	
47	<p>Metrics and targets [...]</p> <p>In the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, an entity shall apply paragraphs 57–58 to identify applicable metrics.</p>	47	<p>Metrics and targets [...]</p> <p>[Deleted by the AASB]</p>
48	<p>Metrics disclosed by an entity applying paragraphs 45–46 shall include metrics associated with particular business models, activities or other common features that characterise participation in an industry.</p>	48 Aus48.1	<p>[Deleted by the AASB]</p> <p>Metrics disclosed by an entity applying paragraphs 45–46 may include well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in an industry, as classified in ANZSIC.</p>
55	<p>Sources of guidance Identifying sustainability-related risks and opportunities [...]</p> <p>In addition to IFRS Sustainability Disclosure Standards:</p> <p>(a) an entity shall refer to and consider the applicability of the disclosure topics in the SASB Standards. An entity might conclude that the disclosure topics in the SASB Standards are not applicable in the entity's circumstances.</p> <p>(b) an entity may consider the applicability of:</p> <p>(i) the CDSB Framework Application Guidance for Biodiversity-related Disclosures (collectively referred to as 'CDSB Framework Application Guidance');</p> <p>(ii) the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general purpose financial reports; and</p> <p>(iii) the sustainability-related risks and opportunities identified by entities that operate in the industry(s) or geographical region(s).</p>	55 Aus55.1	<p>Sources of guidance Identifying climate-related risks and opportunities [...]</p> <p>[Deleted by the AASB]</p> <p>In addition to Australian Sustainability Reporting Standards, an entity may refer to and consider the applicability of the climate-related risks and opportunities identified by entities that operate in the same industry, as classified in ANZSIC.</p>
57	<p>Sources of guidance Identifying applicable disclosure requirements [...]</p> <p>In the absence of an IFRS Sustainability Disclosure Standard that specifically applies to a sustainability-related risk or opportunity, an entity shall apply judgement to identify information that:</p> <p>(a) is relevant to the decision-making of users of general purpose financial reports; and</p>	57	<p>Sources of guidance Identifying applicable disclosure requirements [...]</p> <p>[Deleted by the AASB]</p>

Requirements in IFRS S1	Requirements in [Draft] ASRS 1
<p>58</p> <p>(b) faithfully represents that sustainability-related risk or opportunity.</p> <p>In making the judgement described in paragraph 57:</p> <p>(a) an entity shall refer to and consider the applicability of the metrics associated with the disclosure topics included in the SASB Standards. An entity might conclude that the metrics specified in the SASB Standards are not applicable in the entity's circumstances.</p> <p>(b) an entity may—to the extent that these sources do not conflict with IFRS Sustainability Disclosure Standards—refer to and consider the applicability of:</p> <p>(i) the CDSB Framework Application Guidance;</p> <p>(ii) the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general purpose financial reports; and</p> <p>(iii) the information, including metrics, disclosed by entities that operate in the same industry(s) or geographical region(s).</p>	<p>58 Aus 58.1</p> <p>[Deleted by the AASB]</p> <p>In the absence of an Australian Sustainability Reporting Standard that specifically applies to a climate-related risk or opportunity, an entity may—to the extent that these sources do not conflict with Australian Sustainability Reporting Standards—refer to and consider the applicability of information, including well-established and understood metrics, disclosed by entities that operate in the same industry, as classified in ANZSIC. An entity shall apply judgement to identify information that:</p> <p>(a) is relevant to the decision-making of users of general purpose financial reports; and</p> <p>(b) faithfully represents that climate-related risk or opportunity.</p> <p><i>Staff comment: staff acknowledge there is a drafting error in Aus58.1, replacing sustainability-related with climate-related does not work here. Paragraph Aus58.1 as currently drafted infers separate standards for each different climate-related risk or opportunity, which is not correct. With the benefit of hindsight, paragraphs 57 and 58 are not needed as ASRS 2 applies to climate-related risks and opportunities.</i></p>
<p>59</p> <p>Disclosure of information about sources of guidance</p> <p>An entity shall identify:</p> <p>(a) the specific standards, pronouncements, industry practice and other sources of guidance that the entity has applied in preparing its sustainability-related financial disclosures, including, if applicable, identifying the disclosure topics in the SASB Standards; and</p> <p>(b) the industry(s) specified in the IFRS Sustainability Disclosure Standards, the SASB Standards or other sources of guidance relating to a particular industry(s) that the entity has applied in preparing its sustainability-related financial disclosures, including in identifying applicable metrics.</p>	<p>59 Aus59.1</p> <p>[Deleted by the AASB]</p> <p>If applicable, an entity shall identify the specific standards, pronouncements, industry practice and other sources of guidance that the entity has applied in preparing its climate-related financial disclosures, including in identifying applicable metrics.</p>
<p>Appendix A Defined Terms [...] disclosure topic A specific sustainability-related risk or opportunity based on the activities conducted by entities within a particular industry as set out in an IFRS Sustainability Disclosure Standard or a SASB Standard.</p>	<p>Appendix A Defined Terms [...] <i>Staff comment: the defined term 'disclosure topic' was deleted by the AASB (was not shown as deleted by the AASB in ED SR1)</i></p>

Appendix B: Extracts from IFRS S2 and [Draft] ASRS 2

Requirements in IFRS S1		Requirements in [Draft] ASRS 1	
12	<p>Climate-related risks and opportunities [...]</p> <p>In identifying the climate-related risks and opportunities that could reasonably be expected to affect an entity's prospects, the entity shall refer to and consider the applicability of the industry-based <i>disclosure topics</i> defined in the <i>Industry-based Guidance on Implementing IFRS S2</i>.</p>	12	<p>Climate-related risks and opportunities [...]</p> <p>[Deleted by AASB]</p>
23	<p>Climate resilience [...]</p> <p>In preparing disclosures to meet the requirements in paragraphs 13–22, an entity shall refer to and consider the applicability of cross-industry metric categories, as described in paragraph 29, and industry-based metrics associated with disclosure topics defined in the <i>Industry-based Guidance on Implementing IFRS S2</i> as described in paragraph 32.</p>	23	<p>Climate resilience [...]</p> <p>[Deleted by AASB]</p>
28	<p>Metrics and targets [...]</p> <p>To achieve this objective, an entity shall disclose: [...]</p> <p>(b) industry-based metrics that are associated with particular business models, activities or other common features that characterise participation in an industry (see paragraph 32); and</p>	28	<p>Metrics and targets [...]</p> <p>To achieve this objective, an entity shall disclose: [...]</p> <p>(b) [Deleted by the AASB]</p> <p>Aus28.1 To achieve the objective in paragraph 27, an entity may also disclose industry-based metrics consistent with the requirement in paragraph Aus32.1.</p>
32	<p>Climate-related metrics [...]</p> <p>An entity shall disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the entity discloses, the entity shall refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the <i>Industry-based Guidance on Implementing IFRS S2</i>.</p>	32 Aus32.1	<p>Climate-related metrics [...]</p> <p>[Deleted by the AASB]</p> <p>An entity may disclose well-established and understood industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In identifying industry-based metrics against which to report, an entity shall refer to and consider the applicability of metrics disclosed by entities that operate in the same industry, as classified in ANZSIC.</p>
37	<p>Climate-related targets [...]</p> <p>In identifying and disclosing the metrics used to set and monitor progress towards reaching a target described in paragraphs 33–34, an entity shall refer to and consider the applicability of cross-industry metrics (see paragraph 29) and industry-based metrics (see paragraph 32), including those described in an applicable IFRS Sustainability Disclosure Standard, or metrics that otherwise satisfy the requirements in IFRS S1.</p>	37 Aus37.1	<p>Climate-related targets [...]</p> <p>[Deleted by the AASB]</p> <p>In identifying and disclosing the metrics used to set and monitor progress towards reaching a target described in paragraphs 33–34, an entity shall refer to and consider the applicability of information, including well-established and understood metrics, disclosed by entities that operate in the same industry, as classified in ANZSIC.</p>

Requirements in IFRS S1		Requirements in [Draft] ASRS 1	
B65	<p>Appendix B Application guidance <i>This appendix is an integral part of IFRS S2 and has the same authority as the other parts of the Standard.</i> [...]</p> <p>Cross-industry metric categories (paragraphs 29(b)-(g)) [...]</p> <p>In preparing disclosures to fulfil the requirements in paragraph 29(b)-(g), an entity shall: [...]</p> <p>(d) consider whether industry-based metrics, as described in paragraph 32—including those defined in an applicable IFRS Sustainability Disclosure Standard or those that otherwise satisfy the requirements in IFRS S1—could be used to satisfy the requirements in whole or in part.</p>	B65	<p>Appendix B Application guidance <i>This appendix is an integral part of IFRS S2 and has the same authority as the other parts of the Standard.</i> [...]</p> <p>Cross-industry metric categories (paragraphs 29(b)-(g)) [...]</p> <p>[Deleted by the AASB]</p> <p style="background-color: #e0e0e0; padding: 2px;"><i>Paragraph B65 of IFRS S2 was replaced with the Australian-specific paragraph AusB65.1, subsection (d) was not replicated.</i></p>
B67	<p>Climate-related targets (paragraphs 33-37) [...]</p> <p>In identifying and disclosing the metric used to set a climate-related target and measure progress, an entity shall consider the cross-industry metrics and industry-based metrics. If the metric has been developed by the entity to measure progress towards a target, the entity shall disclose information about that metric in accordance with paragraph 50 of IFRS S1.</p>	B67 B67.1	<p>Climate-related targets (paragraphs 33-37) [...]</p> <p>[Deleted by the AASB]</p> <p>In identifying and disclosing the metric used to set a climate-related target and measure progress, an entity shall consider the cross-industry metrics and, where available, may also consider well-established and understood industry-based metrics disclosed by entities that operate in the same industry, as classified in ANZSIC. If the metric has been developed by the entity to measure progress towards a target, the entity shall disclose information about that metric in accordance with paragraph 50 of [draft] ASRS 1.</p>

Appendix C: The SASB Standards and the *IFRS S2 Industry-based Guidance*

- 82 When the ISSB issued its exposure draft of IFRS S2 in March 2022, the IFRS S2 Industry-based Guidance was included in Appendix B as an integral part of [draft] IFRS S2 as ‘Industry-based disclosure requirements’. Based on the feedback received about the proposals—including concerns about the international relevance of the content derived from the SASB Standards (e.g. due to their US-centric nature)—some stakeholders suggested that further improvements were needed before industry-based requirements could be applied in certain jurisdictions. Consequently, the ISSB has decided to make the guidance non-mandatory and amended the associated requirements in IFRS S2 from a “shall refer to” to a “shall refer to and consider the applicability of”.
- 83 After issuing IFRS S1 and IFRS S2 in June 2023, the ISSB initiated a narrow-scope project called the ‘International Applicability of the SASB Standards project’ to improve the international relevance of non-climate related disclosure topics and metrics in the SASB Standards. The ISSB removed and replaced jurisdiction-specific references and definitions without significantly changing industry groupings, topics, or metrics. As a result, the ISSB decided to seek feedback on the process used to make the amendments to the SASB Standards rather than seeking feedback on the individual amendments themselves.⁶⁰
- 84 Following the conclusion of its agenda consultation, the ISSB has decided to add a project on ‘Maintenance of the SASB Standards’ to its next two-year work plan.⁶¹ Enhancements to the SASB Standards as part of this project will be subject to full consultation, and stakeholders will have an opportunity to review and provide comments on the specific proposed amendment to the SASB Standards.⁶²
- 85 The following extract (with added emphasis) is taken from an ISSB staff paper discussed in June 2024.

Climate-related content in the SASB Standards

42. The staff notes that one element that could bring additional complexity to the ISSB’s execution of SASB enhancements is amendments to climate-related content. This content is identical to the *Industry-based Guidance on Implementing Climate-related Disclosures* (IFRS S2 Industry-based Guidance) and the ISSB maintained alignment between the two resources.
43. The staff believes it is important for the ISSB to consider revising the climate-related content in the SASB Standards as part of enhancements work because:
- (a) it is a significant portion of the overall body of SASB Standards, meaning excluding it would limit the comprehensiveness of enhancements overall;
 - (b) there is significant overlap between climate-related content and BEES topics (such as water management); and
 - (c) **enhancing the climate-related content could improve the quality of implementation of IFRS S2** if the ISSB chooses to update the corresponding IFRS S2 Industry-based Guidance.
44. Nonetheless, given that this content is also in the IFRS S2 Industry-based Guidance, the ISSB will need to take extra steps to ensure it is comfortable making any amendments, given that entities may already be using these materials as they begin to implement IFRS S2. Such considerations should include transitional reliefs and effective dates.

⁶⁰ <https://www.ifrs.org/projects/completed-projects/2023/international-applicability-of-the-sasb-standards/#about>

⁶¹ <https://www.ifrs.org/content/dam/ifrs/meetings/2024/may/issb/ap2-agenda-consultation-summary-decisions-work-plan.pdf>

⁶² <https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/feedback-statement.pdf>