



<b>Project:</b>	<b>Climate-related disclosures: Industry-based information</b>	<b>Meeting:</b>	26 August 2024 (M207)
<b>Topic:</b>	<b>Project scoping</b>	<b>Agenda Item:</b>	3.2.1
		<b>Date:</b>	16 August 2024
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		<b>Decision-Making:</b>	Low
		<b>Project Status:</b>	Scoping

## Objective

- 1 At the AASB Meeting (M206) held in July 2024, in response to stakeholder feedback on ED SR1, the Board decided to depart from the IFRS S2 baseline as an interim measure by not requiring an entity to: (a) refer to and consider the SASB Standards and the *Industry-based Guidance on Implementing IFRS S2* (IFRS S2 Industry-based Guidance); or (b) provide industry-based disclosures.
- 2 The objective of this paper is to progress the Board's decision to add a project to the work program on *climate-related disclosures: industry-based information* by considering the scope of this project, with a view to providing greater clarity for stakeholders in the Basis for Conclusions to AASB S2 *Climate-related Disclosures*.
- 3 This paper sets out staff considerations on the factors that will impact the project scope. A project timeline will be developed for the Board's consideration at the November 2024 AASB Meeting.

## Abbreviations

- 4 Abbreviations used in this paper are outlined in the [Appendix](#).

## Staff analysis

- 5 The AASB has received extensive stakeholder feedback on industry-based information during outreach on ED SR1 and ED 321.
- 6 Consistent with the [staff paper](#) on SMC 4 in ED SR1, staff observe that the framing of SMC 4 did not distinguish between the usefulness of the disclosure topics in the SASB Standards and the metrics in the IFRS S2 Industry-based Guidance.
- 7 Most stakeholder feedback was concentrated on whether the SASB Standards and the IFRS S2 Industry-based Guidance are an appropriate basis for additional disclosures. Comparatively fewer stakeholders provided feedback to ED SR1 on whether the Standards should incorporate a requirement to provide industry-based disclosures, which is a requirement in the IFRS Sustainability Disclosure Standards baseline. Therefore, it is not possible to distinguish respondent feedback at this level of granularity.
- 8 Consequently, staff believe that the feedback received regarding SMC 4 is not the most appropriate basis for understanding stakeholder views on the concept of requiring industry-based disclosures.

- 9 However, feedback received in relation to ED 321 did address the issue of industry-based disclosures separately from the use of IFRS S2 Industry-based Guidance. Stakeholder feedback on ED 321, summarised in a [staff paper](#) presented at the AASB Meeting (M191) held in November 2022, showed:
- (a) almost all respondents supported the development of industry-based requirements as part of the ISSB’s approach to standard-setting for sustainability-related financial information.
  - (b) while respondents supported industry-based requirements, they did not support the industry-based proposals (which became the IFRS S2 Industry-based Guidance)— the reasons for this lack of support were consistent with the concerns raised in the feedback to ED SR1, in relation to the lack of internationalisation of the SASB Standards.
- 10 Staff are of the view that there is sufficient feedback from stakeholders that industry-based information is considered useful information for users of general purpose financial reports. Staff also observe that the most prevalent theme emerging from ED SR1 feedback was that stakeholders strongly encouraged greater alignment with the ISSB’s baseline requirements, and the industry-based information requirements are part of the baseline.
- 11 Staff observe that the [Treasury Policy Statement](#) (January 2024) specified an expectation that industry-based metrics would be required by 2030. Specifically, the policy statement states:

“Entities should only be required to disclose against well-established and understood industry-based metrics from 1 July 2030 onwards. Entities may choose to disclose relevant industry-based metrics voluntarily prior to that date.”

### Staff recommendations on project scoping

- 12 Staff consider that it is highly unlikely new information would be gained from consulting with stakeholders on whether industry-based information should be required. Stakeholders have already provided considerable feedback on the usefulness of this information and future consultation should therefore be focused on determining the appropriate form of industry-based disclosures.
- 13 Consequently, staff recommend that the project on *climate-related disclosures: industry-based information* be scoped as follows:
- Determining the appropriate basis and content of industry-based disclosures, including;
    - (a) assessing the industry-based classification system;
    - (b) assessing the applicability of the industry-based disclosure topics; and
    - (c) assessing the applicability of the industry-based metrics defined in IFRS S2 Industry-based Guidance.
- 14 The Board acknowledged the importance of industry-based information when deliberating SMC 4 and SMC 5 in ED SR1 at the AASB Meeting (M206) held in July 2024. Hence, decisions on the consideration and disclosure of industry-based information were made on the basis that these would be an interim measure only and the Board would redeliberate this matter in the near future. In support of this and acknowledging the importance to stakeholders, staff recommend commencing preliminary consultation in March 2025, with the intention of introducing a requirement on industry-based disclosures for application by 2030 onwards.
- 15 Subject to the Board’s decisions at this meeting, staff intend to present the Board with a more detailed project plan, including a project timeline at the November 2024 Board meeting.

## Questions to Board members

- Q1.** Do Board members agree with the staff recommendation in paragraph 12 with respect to the project scope?
- Q2.** Do Board members agree with the staff recommendation in paragraph 13 to commence consultation in March 2025, with the intention of introducing a requirement on industry-based disclosures for application by 2030 onwards?

## Staff recommendations on Basis for Conclusions to AASB S2

- 16 Subject to the Board's decisions on the questions above, staff recommend providing greater clarity in the Basis for Conclusions to AASB S2 with respect to the project on *climate-related disclosures: industry-based information* to reflect the decisions made at this meeting.
- 17 Staff have provided drafting suggestions below in underlined text. The text included in paragraphs BC26 and BC27 of the Basis for Conclusions in the working draft AASB S2 (Agenda Paper 3.2.4) with respect to consideration and disclosure of industry-based information is also provided below for context.

### Consideration and disclosure of industry-based information

- BC26 The AASB decided, as an interim measure, not to require industry-based disclosures to be provided and therefore also not require entities to consider the applicability of disclosure topics (and the industry-based metrics associated with those disclosure topics) defined in the Sustainability Accounting Standards Board (SASB) Standards and *Industry-based Guidance on Implementing IFRS S2* issued by the ISSB. Consequently, the AASB:
- (a) modified or omitted (where relevant) the requirements set out in IFRS S2 paragraphs 12, 23, 28(b), 32, 37, B65(d) and B67; and
  - (b) omitted the definition of "disclosure topic" set out in IFRS S2 Appendix A *Defined terms*.
- BC27 Feedback from ED 321 indicated strong support among respondents for developing mandatory requirements for industry-based disclosures as part of the ISSB's approach to standard-setting for sustainability-related financial information. However, many of those respondents did not support the ISSB's proposed industry-based disclosure requirements, which became the *Industry-based Guidance on Implementing IFRS S2*. The majority of respondents to ED SR 1 supported the AASB's proposal to omit these requirements, but requested the AASB undertake further work to develop industry-based disclosure requirements for Australian entities.
- BC28 Acknowledging this feedback, the AASB has made decisions on the consideration and disclosure of industry-based information as an interim measure, signalling its intention to redeliberate this matter in the near future. The AASB has added a project to its workplan with respect to industry-based disclosure requirements. This project will focus on determining the appropriate basis and content of the industry-based disclosures, including assessing the industry-based classification system, the applicability of the industry-based disclosure topics and the industry-based metrics defined in the *Industry-based Guidance on Implementing IFRS S2*, with the intention of introducing a requirement on industry-based disclosures for application by 2030 onwards.

## Question to Board members

- Q3.** Do Board members agree with providing greater clarity in the Basis for Conclusions to AASB S2 with respect to the project on *climate-related disclosures: industry-based information*? If so, do Board members have any comments on the proposed paragraph BC28?

## Appendix: Abbreviations

The following table outlines abbreviations used in this paper.

Abbreviation	Meaning
ED SR1	Exposure Draft <a href="#">ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information</a> (October 2023), the AASB’s Exposure Draft exposing [draft] ASRS 1, [draft] ASRS 2 and [draft] ASRS 101 for comment
ED 321	Exposure Draft <a href="#">ED 321 Request for Comment on ISSB [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [draft] IFRS S2 Climate-related Disclosures</a> (April 2022), the AASB’s Exposure Draft requesting comments on the ISSB’s [draft] IFRS 1 and [draft] IFRS 2
IFRS S2	IFRS S2 <i>Climate-related Disclosures</i>
IFRS S2 Industry-based Guidance	<i>Industry-based Guidance on Implementing IFRS S2</i> issued by the ISSB
SASB	Sustainability Accounting Standards Board
SMC	Specific Matters for Comment in ED SR1