



Project:	Climate-related disclosure requirements for NFP public sector entities	Meeting:	AASB 7 November 2024 (M210)
Topic:	IPSASB Climate ED and addressing NFP public-sector-specific issues	Agenda Item:	7.0
		Date of memo:	22 October 2024
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		Decision-Making:	High
		Project Status:	Developing ITC

Objective

- 1 For the purposes of progressing the Board’s project on developing climate-related disclosure requirements for Australian not-for-profit (NFP) public sector entities,¹ the objectives of this agenda item are for the Board to:
 - (a) in respect to determining the approach to follow to address concerns raised by Australian public sector stakeholders:
 - (i) **decide** whether to undertake standard-setting work immediately to develop climate-related disclosure requirements for Australian NFP public sector entities ahead of the IPSASB finalising its Standard on climate-related disclosures (see paragraphs 6–7 below); and
 - (ii) if so, **decide** on the first steps of this domestic work. Specifically, staff ask the Board to consider whether to issue a consultation document, an AASB Invitation to Comment (ITC), to seek input from stakeholders on how AASB S2 *Climate-related Disclosures* might be modified to facilitate NFP public sector entities applying the Standard (see paragraphs 8–10 below and Agenda Paper 7.1);
 - (b) in respect to the IPSASB Sustainability Reporting Standards Exposure Draft IPSASB SRS ED 1 *Climate-related Disclosures* (expected to be published on 31 October 2024):
 - (i) **consider** the key differences between the proposals in IPSASB SRS ED 1 and AASB S2 (see Agenda Paper 7.2); and

¹ For ease of reference, the agenda papers for this topic use the expression: “climate-related disclosure requirements for Australian NFP public sector entities”, even though the project may involve developing modifications to AASB S2 and guidance rather than new requirements.

- (ii) **decide** on the content of any AASB Specific Matters for Comment (SMCs), in addition to the IPSASB's SMCs, to be included in the AASB ITC (that incorporates IPSASB SRS ED 1) for consultation with Australian stakeholders (see Agenda Paper 7.3); and
- (c) **consider** indicative timelines and next steps (see Agenda Paper 7.4).

Attachments

Agenda Paper 7.1	Working Draft ITC 5X AASB S2 Climate-related Disclosures <i>Not-for-Profit Public Sector Entity Application</i> (Board-only)
Agenda Paper 7.2	Staff Paper: Key differences between IPSASB SRS ED 1 <i>Climate-related Disclosures</i> and AASB S2 (Board-only)
Agenda Paper 7.3	Working Draft ITC 5Y <i>Request for Comment on IPSASB Exposure Draft SRS ED 1 Climate-related Disclosures</i> (Board-only)
Agenda Paper 7.4	Proposed next steps and timeline
Agenda Paper 7.5	IPSASB Exposure Draft SRS ED 1 <i>Climate-related Disclosures</i> (to follow, expected to be published on 31 October 2024)

Because IPSASB SRS ED 1 had not yet been published at the time of finalising Agenda Papers 7.1–7.4, staff plan to provide an overview at the Board meeting of any relevant matters impacting Agenda Papers 7.1–7.4 based on the published IPSASB SRS ED 1 (expected 31 October).

Background

- 2 Paragraph 16(d) of the [AASB Sustainability Reporting Standard-Setting Framework](#) (2023) states that one trigger for the AASB to consider the need for Australian-specific Sustainability Reporting Standards, amendments, guidance or examples is when a new IPSASB Standard or pronouncement is issued. Therefore, in its meetings held in July–September 2024, the Board confirmed its decision to consider the IPSASB's ED on its Climate-related Disclosures project and to expose that ED in Australia for comment.
- 3 The IPSASB is expected to publish IPSASB SRS ED 1 on 31 October 2024 for a 120-day comment period closing on 28 February 2025. Accordingly, consistent with that timing, staff have prepared a working draft ITC (ITC 5Y) for the Board's consideration (see Agenda Paper 7.3). To assist Board members' review of the draft ITC 5Y, based on staff's understanding of the IPSASB's proposals to date, staff prepared an overview (Agenda Paper 7.2) of the expected key differences between IPSASB SRS ED 1 and AASB S2.
- 4 The Board anticipated the IPSASB's ED would consider how the requirements set out in IFRS S2 *Climate-related Disclosures* should be applied by NFP public sector entities, as well as addressing climate-related impact reporting (i.e. to report on how climate-related risks and opportunities, and governments' actions related to those risks and opportunities, would affect the economy, environment and people). The Board decided to undertake a project to consider developing modifications or additional guidance to assist NFP public sector entities in applying AASB S2, and that project would begin by considering the IPSASB ED (AASB S2.BC82).
- 5 Given the Board's decision to consider developing modifications to AASB S2 and guidance for NFP public sector entities, in paragraph 6 below, staff ask the Board to determine whether to undertake domestic standard-setting work immediately in addition to assessing IPSASB SRS ED 1.

Why are staff recommending the Board undertake standard-setting work immediately?

- 6 Staff's reasons for recommending undertaking standard-setting work immediately to develop climate-related disclosure requirements for Australian NFP public sector entities are summarised below.
- (a) Similar to the feedback received on AASB ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* (October 2023), a few Board members are of the view that AASB S2 might not be suitable for application by NFP public sector entities without further modification. In making AASB S2, some Board members indicated their support for a 'sector neutral' Standard was based on the expectation that further work would be undertaken to consider the need for NFP public sector entity modifications.
 - (b) In responding to AASB ED SR1 some stakeholders encouraged the AASB to consider developing Australian-specific disclosure requirements or guidance to assist Australian public sector entities with their reporting needs, ahead of the IPSASB finalising its Standard on climate-related disclosures. This is because some Australian public sector entities may be required by their government to prepare climate-related financial information in 2024–2025 and some Treasury offices are in the process of considering the relevance of AASB S2 for application to their public sector entities.
 - (c) Australian stakeholders requested the AASB to consider the following matters that are not expected to be addressed in IPSASB SRS ED 1:
 - (i) how to determine the value chain of a government or other public sector entity for the purposes of measuring Scope 3 greenhouse gas emissions. The value chain of a public sector entity can be pervasive since its operations typically involve the whole of society; and
 - (ii) consider developing a differential reporting framework for different levels of government entities to ensure the resulting climate-related reporting would meet users' needs.
- 7 Given the urgency of this work to help facilitate climate-related reporting in the near term, staff think that the AASB should commence its own standard-setting work in addressing those concerns ahead of the IPSASB finalising its Standard. Staff consider we currently have insufficient information about the needs of NFP public sector entities in respect of climate-related reporting and it is important to commence a project now given the time that may be required to develop suitable public sector modifications and guidance.

Question for Board members

Q1: Do Board members agree with undertaking standard-setting work immediately to develop climate-related disclosure requirements for Australian NFP public sector entities ahead of the IPSASB finalising its Standard on climate-related disclosures?

The rest of this paper and Agenda Paper 7.1 will not be discussed at the Board meeting if the Board decides not to undertake standard-setting work immediately.

- 8 If the Board agrees to undertake standard-setting work immediately, staff recommend publishing a separate ITC (ITC 5X)² to obtain input from stakeholders on:
- (a) those NFP public sector entities, if any, for which the AASB should be developing climate-related disclosure requirements; and
 - (b) for the purposes of considering whether and how to develop a reporting framework for NFP public sector entities, the requirements in AASB S2, if any, that should be applied by particular public sector entities, and what modifications to AASB S2 or guidance might be necessary.
- 9 Staff have prepared a working draft ITC (ITC 5X presented as Agenda Paper 7.1) covering the matters noted in paragraph 8 for the Board’s consideration. The working draft ITC 5X includes a summary of concerns raised by Australian public sector stakeholders in responding to AASB ED SR1. The [Appendix](#) to this Cover Memo lists the main comment letters staff considered in developing ITC 5X.
- 10 Staff considered whether to incorporate the matters noted in paragraph 8 in one ITC along with IPSASB SRS ED 1, instead of publishing two ITCs. However, staff consider that publishing separate ITCs is a better approach for the following reasons.
- (a) Each ITC has a different objective – ITC 5X aims to seek input to address Australian public sector stakeholders’ comments relating to the application of AASB S2, whereas ITC 5Y aims to seek feedback on a proposal document published by an international standard setter.
 - (b) The IPSASB’s Specific Matters for Comment (SMCs) in IPSASB SRS ED 1 are likely to focus on its proposed requirements relating to climate-related public policy programs, which are not addressed in AASB S2.
 - (c) Discussing how AASB S2 should be applied by NFP public sector entities in a separate ITC, rather than gathering input on IFRS S2-aligned content proposed in IPSASB SRS ED 1, would highlight to Australian stakeholders that the Board is undertaking domestic standard-setting work and be more likely to encourage Australian stakeholders to provide feedback to the Board. In the past, few Australian stakeholders have responded to a consultation document incorporating IPSASB proposals.
 - (d) Having two ITCs allows the potential for the AASB to set different comment timelines for each ITC. The timeline for ITC 5Y incorporating the IPSASB SRS ED 1 needs to accommodate the IPSASB’s timeline, much of which will cover the summer holiday period. In Agenda Paper 7.4 staff are recommending a longer comment period for ITC 5X that would focus on AASB S2.

Questions for Board members

Q2: If the Board agrees in Q1 with undertaking standard-setting work immediately, do Board members agree with publishing an ITC to obtain input from stakeholders on matters noted in paragraph 8 in the context of AASB S2? If not, what alternative approaches do Board members recommend?

Q3: If the Board agrees in Q2 to publish an ITC focused on AASB S2, do Board members agree with publishing this separately from an ITC incorporating IPSASB SRS ED 1?

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- 2 Separate from ITC 5Y that would incorporate IPSASB SRS ED 1. Staff consider that publishing an ITC would address stakeholder comments on AASB ED SR1 that suggested the AASB undertake research into the climate-related information users need and existing practices in the public sector on reporting environmental or climate data, which may provide insights on the challenges public sector entities face in reporting such information.

Appendix: Main comment letters staff considered in developing ITC 5X

The main comment letters staff considered in developing ITC 5X are listed below. The comment letters can be accessed by clicking on the hyperlinks.

[Central Coast Council](#)

[Australian Bureau of Statistics \(ABS\)](#)

[Heads of Treasuries Accounting and Reporting Advisory Committee \(HoTARAC\)](#)

[Local Government Association of Queensland \(LGAQ\)](#)

[Australasian Council of Auditors-General \(ACAG\)](#)

[City of Newcastle](#)

[Local Government NSW \(LGNSW\)](#)

[Northern Beaches Council](#)

[City of Ryde](#)

[Green Power](#)

[NSW Treasury](#)

[Waverly Council NSW](#)