



<b>Project:</b>	<b>Climate-related Financial Disclosures</b>	<b>Meeting:</b>	19 and 22 July 2024 (M206)
<b>Topic:</b>	<b>[Draft] ASRS Standards providing useful information and being in the best interest of the economy (GMCs 33–34)</b>	<b>Agenda Item:</b>	4.3.4
		<b>Date:</b>	12 July 2024
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Consider ED Feedback

## Objective of this paper

- 1 The objectives of this paper are for the AASB to:
  - (a) consider feedback from stakeholders on whether the proposals in ED SR1 will result in climate-related financial information that is useful to users (GMC 33);
  - (b) consider feedback from stakeholders on whether the proposals in ED SR1 are in the best interests of the Australian economy (GMC 34); and
  - (c) decide on any further work that might be needed in respect of GMC 33 and GMC 34 before finalising ASRS 1 and ASRS 2.

## Summary of stakeholder feedback

- 2 GMC 33 asked stakeholders: “Would the proposals result overall in climate-related financial information that is useful to users?”
- 3 Of the 117 comment letters and 289 survey responses received, 62 and 54 stakeholders, respectively, provided responses to GMC 33. The following table provides an overview of the responses received on GMC 33 (rounded to the nearest %).

	Yes, the proposals would be useful	The disclosures would be useful only if the AASB addresses certain stakeholder feedback	No, the proposals would not be useful	Cannot form a view at present
Out of the 62 comment letters that commented on GMC 33 <sup>1</sup>	29%	58%	10%	3%

<sup>1</sup> An overview of stakeholder feedback expressed in the comment letters is presented in Agenda Paper 4.3.6 for the Board’s reference. Staff applied judgement to categorise the overall comments expressed in the letters. Regardless of how staff categorised the feedback, the reasons provided by the respondents for supporting their position were considered as a part of the staff analysis.

	Yes, the proposals would be useful	The disclosures would be useful only if the AASB addresses certain stakeholder feedback	No, the proposals would not be useful	Cannot form a view at present
Out of the 54 survey responses that commented on GMC 33 <sup>2</sup>	83%	-	17%	-

4 GMC 34 asked stakeholders: “Are the proposals in the best interests of the Australian economy?”

5 Of the 117 comment letters and 289 survey responses received, 62 and 51 stakeholders, respectively, provided responses to GMC 34. The following table provides an overview of the responses received on GMC 34 (rounded to the nearest %).

	Yes, the proposals would be in the best interest of the Australian economy	The proposals would be in the best interest of the Australian economy only if the AASB addresses certain stakeholder feedback	No, the proposals would not be in the best interest of the Australian economy	Cannot form a view at present
Out of the 62 comment letters that commented on GMC 34	35%	50%	10%	5%
Out of the 51 survey responses that commented on GMC 34	79%	-	21%	-

6 Most stakeholders broadly agreed that the proposed disclosures would provide information that would be useful for users and in the long-term best interests of the Australian economy. Many of those stakeholders commented that the lack of alignment of [draft] ASRS 1 and [draft] ASRS 2 with the IFRS S1 and IFRS S2 would potentially reduce the usefulness of the information for users, or impact Australia’s standing and comparability of its disclosures internationally.<sup>3</sup> Stakeholders noted a range of specific areas of misalignment, primarily by referring to their responses to specific SMCs, or GMC 30 and GMC 31.

7 Another common concern, particularly in respect of whether the proposals were in the best interests of the Australian economy (GMC 34), was in relation to the cost-benefits of preparing complex disclosures. These comments were primarily in relation to smaller and less resourced entities.<sup>4</sup> Staff have considered these comments together with the comments in response to GMC 35, in Agenda paper 4.3.5, which considers proportionality mechanisms for smaller entities. Staff have therefore not considered these comments further in this staff paper.

8 Several stakeholders also provided specific feedback in relation to their relevant sector. The sectors included superannuation entities, public sector entities, NFP entities, and other specific sectors that considered they had complex supply chains that would make reporting of Scope 3 GHG emissions challenging. These comments were largely aligned with feedback that the same stakeholders had provided in relation to the relevant SMCs.

<sup>2</sup> The survey responses have been provided separately for the Board’s reference.

<sup>3</sup> For example, comment letters 21, 23, 26, 31, 34, 38, 60, 62, 65, 66, 82, 86, 92, 95, 103, 105, 109, 110, 111, 113.

<sup>4</sup> For example, comment letters 9, 19, 21, 91, 113

## Staff analysis

- 9 Consistent with the observations made in Agenda paper 4.3.1 on GMC 30, staff observe that when discussing stakeholder feedback on [draft] ASRS 2 at its June 2024 meetings (M204 and M205), the Board considered whether the feedback on a topic indicates a justifiable circumstance noted in paragraph 20 of the *AASB Sustainability Reporting Standard-Setting Framework* to warrant modifying the requirements in IFRS S2. As a result of re-deliberations at its June meetings, the Board decided that no modifications to the baseline of IFRS S2 were warranted on the ASRS 2 topics discussed at those meetings.<sup>5</sup>
- 10 Staff additionally observed the Board does not currently have the authority to issue a mandatory standard in relation to broader sustainability-related risks and opportunities outside of climate and decided to prepare ASRS 1 with the same scope as IFRS S1 as a non-mandatory Standard. The Board considered that this approach would address stakeholder concerns relating to the scope of ASRS 1 and permit Australian entities to voluntarily report on broader sustainability-related risks and opportunities.

## Staff conclusion

- 11 Based on the feedback received on GMC 33 and GMC 34, staff consider that no new issues have been raised that the Board would not have considered when it issued ED SR1 with the exception of the extent to which many respondents value alignment with IFRS S1 and IFRS S2. In that respect, staff note concerns about alignment would be expected to be alleviated as a result of the Board's decisions in June 2024 for:
- (a) ASRS 1 to have the same scope as IFRS S1 to cover sustainability-related financial disclosures, and to be a non-mandatory Standard; and
  - (b) alignment/consistency with IFRS S2 when developing the aspects of ASRS 2 discussed in June.
- 12 Accordingly, subject to the Board's decisions in other agenda papers for this meeting, staff consider that no further work would be needed in respect of GMC 33 and GMC 34 before finalising ASRS 1 and ASRS 2.

### Question for Board members

Q1: Do Board members agree with the staff conclusion that no further work would be needed in respect of GMC 33 and GMC 34 before finalising ASRS 1 and ASRS 2? If not, what other work do Board members consider necessary?

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<sup>5</sup> For all the topics relating to ASRS 2 discussed in M204 and M205, the Board decided that no modifications to the baseline of IFRS S2 were warranted. At this meeting, in Agenda Papers 4.2.1–4.2.4, staff ask the Board to consider feedback received on ED SR1 relating to NFP and public sector entities and decide whether modifications to the baseline of IFRS S2 would be warranted.