



Project:	Climate-related financial disclosures	Meeting:	19 and 22 July 2024 (M206)
Topic:	Executive summary of Agenda Papers 4.1.1–4.1.7	Agenda Item:	4.1.0
		Date:	12 July 2024
Contact(s):	Lachlan McDonald-Kerr lmcdonald-kerr@asb.gov.au Charis Halliday challiday@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Consider ED Feedback

Objective of Agenda Papers 4.1.1–4.1.7

- The objectives of Agenda Papers 4.1.1–4.1.7 are for the AASB to:
 - consider feedback from stakeholders on:
 - presenting the core content of IFRS S1 in the ASRS Standards (SMC 1) [Agenda Paper 4.1.1]
 - conceptual content in the ASRS Standards (SMC 2) [Agenda Paper 4.1.2]
 - entities that do not have material climate-related risks and opportunities (SMC 3) [Agenda Paper 4.1.3]
 - 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 Paper 4.1.4]
 - statement expressly permitting voluntary disclosures (SMC 6) [Agenda Paper 4.1.5]
 - index table (SMC 7) [Agenda Paper 4.1.6]
 - interim reporting (SMC 8) [Agenda Paper 4.1.7]
 - decide on any further work needed before finalising ASRS 1 and ASRS 2.
- This paper provides an executive summary of Agenda Papers 4.1.1–4.1.7. There is no question for Board members in this paper.

Framing of staff recommendations in Agenda Papers 4.1.1–4.1.7

- 3 In June 2024, the Board decided to prepare a non-mandatory ('voluntary') ASRS 1 that would cover sustainability-related financial disclosures, rather than limit ASRS 1 to climate-related risks and opportunities as a mandatory Standard, and to prepare a mandatory ASRS 2 that would incorporate the necessary content presented in [draft] ASRS 1 to make ASRS 2 function as a standalone, climate-only Standard.¹
- 4 Given the above, the staff recommendations in Agenda Papers 4.1.1–4.1.7 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.
- 5 They are **not** related to a non-mandatory ('voluntary') equivalent of IFRS S1 that would cover sustainability-related financial disclosures.

Roundtable feedback in Agenda Papers 4.1.1–4.1.7

- 6 Agenda Papers 4.1.1–4.1.7 incorporate roundtable feedback from outreach sessions when the SMC was discussed in an outreach session. Roundtable outreach sessions were held over two-hour blocks and typically followed the same script and question structure. The limited time meant that staff could not cover every SMC presented in ED SR1 and certain SMCs were either not materially considered in roundtable outreach or, at times, bundled together:
 - (a) SMCs 1-3 were individually addressed in roundtable sessions, so their feedback has been integrated into the respective papers (Agenda Papers 4.1.1–4.1.3);
 - (b) SMCs 4-5 were typically asked together in roundtable sessions, so where feedback clearly related to an SMC, it has been integrated into the respective papers (Agenda Papers 4.1.4–4.1.5); and
 - (c) SMCs 7-8 were not asked in the roundtable sessions, so there was no feedback from these sessions to integrate into the respective papers (Agenda Papers 4.1.6–4.1.7).

¹ Refer to [AASB Action Alert \(Issue No: 231\)](#).

Executive summary and attachments

7 Feedback received on SMCs 1-8 is discussed Agenda Papers 4.1.1–4.1.7

8 The following table provides a high-level summary of the content of those papers.

Agenda Paper	Summary of content
<p>Agenda Paper 4.1.1 – Presenting the core content of IFRS S1 in the ASRS Standards (SMC 1)</p>	<p>The AASB deliberated several presentation options when developing ED SR1. The Board ultimately shortlisted three alternatives for presenting the core contents of a scope-limited IFRS S1 in [draft] ASRS Standards and sought stakeholder feedback on these.</p> <p>After the publication of ED SR1, the Board decided in June 2024 to prepare a non-mandatory (‘voluntary’) ASRS 1 that would cover sustainability-related financial disclosures rather than limit ASRS 1 to climate-related risks and opportunities as a mandatory Standard. The Board also decided to prepare a mandatory ASRS 2 that would incorporate the necessary content presented in [draft] ASRS 1 to make ASRS 2 function as a standalone, climate-only Standard.</p> <p>As the Board have already decided on a preferred presentation option, this paper does not ask the Board to make any decisions for SMC 1. However, for completeness, staff have decided to present stakeholder feedback for the Board’s information only and include a brief staff analysis on key thematic issues. This analysis provides additional support for the Board’s decision in June 2024 regarding the presentation structure of the ASRS Standards.</p>
<p>Agenda Paper 4.1.2 – Conceptual content (SMC 2)</p>	<p>SMC 2 asked stakeholders whether they agreed with the AASB proposal that where components of the IASB’s Conceptual Framework had been duplicated in IFRS S1 and IFRS S2 as requirements with which entities must comply, these references should be replaced with Australian-specific paragraphs to cross-reference to the AASB’s Conceptual Framework for Financial Reporting (in respect to for-profit entities) and the Framework for the Preparation and Presentation of Financial Statements (in respect to not-for-profit entities).</p> <p>Many respondents supported the proposal, however, opposing feedback identified several important matters that warrant further consideration and deliberation by the Board.</p> <p>Staff recommend that the Board revert to the IFRS Sustainability Disclosure Standards baseline and incorporate the conceptual content from the baseline into the ASRS Standards. While IFRS S1 includes content with similar language to the IASB’s Conceptual Framework, the conceptual content in IFRS S1 serves a different purpose and function compared to a conceptual framework. Specifically, its purpose is to assist entities to be able to apply aspects of the IASB’s Conceptual Framework in the context of sustainability reporting. Further, there is a precedent for referring to conceptual content in a mandatory fashion in Australian Accounting Standards, and the ability to do so is not inconsistent with the AASB’s functions and powers. The inclusion of conceptual content in the ASRS Standards would also strengthen alignment with the IFRS Sustainability Disclosure Standards baseline.</p>

Agenda Paper	Summary of content
<p>Agenda Paper 4.1.3 – Entities that do not have material climate-related risks and opportunities (SMC 3)</p>	<p>SMC 3 asked whether the Board should include the proposed wording in paragraph Aus6.2 in [draft] ASRS 1 and paragraph Aus4.2 in [draft] ASRS 2 that require an entity that has assessed it has no material climate-related risks and opportunities to disclose that fact and explain how it came to this conclusion.</p> <p>Most respondent feedback supported the inclusion of the paragraphs and agreed that information on how an entity concluded that there were no material climate-related risks and opportunities would be useful information to primary users of GPFR. However, respondents expressed concerns about the proposal, including practical implications and interactions between the ASRS Standards and the <i>Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024</i>.</p> <p>Staff recommend the Board revert to the IFRS Sustainability Disclosure Standards baseline and omit the proposed Aus paragraphs related to SMC 3 from the ASRS Standards. This would result in stronger alignment with the IFRS Sustainability Disclosure Standards baseline, ensure consistency with financial reporting topics under Australian Accounting Standards, and allow the AASB to respond to materiality in the context of the ASRS Standards (rather than broader legislative interactions). Furthermore, entities applying the ASRS Standards could still make a statement consistent with the proposal described in SMC 3, irrespective of whether Aus paragraphs are included in the final Standards.</p>
<p>Agenda Paper 4.1.4 – SASB Standards and References to Industry-based Guidance on Implementing IFRS S2 (SMC 4) and the requirement to consider ANZSIC when voluntarily making industry-based disclosures (SMC 5)</p>	<p>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 <i>Industry-based Guidance</i>.</p> <p>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.</p> <p>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. 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.</p> <p>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. 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.</p> <p>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.</p>

Agenda Paper	Summary of content
	<p>Subject to the Board’s decision on the above, staff would undertake a separate project to examine the suitability of the SASB Standards, IFRS S2 <i>Industry-based Guidance</i> and/or industry-based disclosures 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.</p>
<p>Agenda Paper 4.1.5 – Statement expressly permitting voluntary disclosures (SMC 6)</p>	<p>SMC 6 asked stakeholders whether the ASRS Standards should expressly permit an entity to provide voluntary disclosures based on other relevant frameworks or pronouncements (e.g. the SASB Standards) provided any additional voluntary disclosures do not obscure or conflict with required disclosures under the Standard.</p> <p>While ED SR1 did not include an Aus paragraph to reflect SMC 6, the language used to describe it was partially drawn from the existing requirements of IFRS S1 that establish a framework to explain when additional disclosures are permissible. Most respondents agreed with the proposal in SMC 6. However, support for SMC 6 may have been influenced by the proposals described in SMC 4 and SMC 5, which received substantially less support from respondents.</p> <p>As SMC 6 was only proposed due to changes related to SMC 4 and 5, staff believe that an additional Aus paragraph to the [draft] ASRS Standards explicitly stating that an entity may provide voluntary disclosures based on other relevant frameworks or pronouncements is unnecessary. Therefore, staff recommend that the Board revert to the IFRS Sustainability Disclosure Standards baseline and make no amendments for SMC 6.</p>
<p>Agenda Paper 4.1.6 – Index table (SMC 7)</p>	<p>SMC 7 asked stakeholders whether they agreed with the addition of paragraph Aus60.1 in [draft] ASRS 1, which required an entity to provide information in a manner that enables users of GPFR to locate its disclosures prepared in accordance with applicable [draft] ASRS Standards.</p> <p>SMC 7 was phrased in a manner that could have been interpreted as presenting paragraph Aus60.1 as an alternative to requiring an entity to include a detailed index table, which is not a requirement in the IFRS S1 baseline. As a result, stakeholder feedback typically focused on the advantages or disadvantages of requiring a detailed index table rather than considering whether Aus60.1 was a helpful addition to the IFRS S1 baseline. Most stakeholders supported paragraph Aus60.1 because it provided flexibility and allowed the preparer to use judgement.</p> <p>Staff recommend the Board revert to the IFRS Sustainability Disclosure Standards baseline and omit the proposed Aus paragraphs related to SMC 7 from the ASRS Standards. This would ensure closer alignment with the IFRS Sustainability Disclosure Standards baseline, which already permits flexibility and the use of judgement.</p>

Agenda Paper	Summary of content
<p>Agenda Paper 4.1.7 – Interim Reporting (SMC 8)</p>	<p>SMC 8 asked stakeholders whether they agreed with the proposed omission of IFRS S1 paragraphs 69 and B48 from [draft] ASRS 1 to help avoid confusion about whether interim climate-related financial disclosures are required.</p> <p>Paragraphs 69 and B48 of IFRS S1 describe the principles to be applied to interim reporting in the context of sustainability-related financial disclosures. IFRS S1 does not mandate interim reporting but recognises that entities <i>may</i> be required (or voluntarily choose) to publish interim sustainability-related financial disclosures depending on their particular facts and circumstances. IFRS S1 provides high-level guidance for reporting entities in these circumstances.</p> <p>Most stakeholder feedback agreed with the AASB’s proposal to help clarify that interim reporting was not required by omitting paragraphs 69 and B48 of IFRS S1 in [draft] ASRS 1. The most common reason to support this view was that the language in IFRS S1 was seen to be confusing and unclear. Some respondents appeared to assume that interim reporting was mandated in IFRS S1, and the proposed departure from the IFRS S1 baseline via the omission of these two paragraphs would remove any interim reporting obligations.</p> <p>Staff recommend the Board revert to the IFRS S1 baseline and retain paragraphs 69 and B48 of IFRS S1 in ASRS 1 without further changes in the body of the Standard. This would help to ensure alignment with the IFRS S1 baseline and retain guidance for entities that may be required (or choose) to publish interim climate-related financial disclosures.</p>

- 9 Agenda Paper 4.1.8 is a Board-only paper in the supplementary folder that provides an overview of comments received on the Agenda Papers 4.1.1–4.1.7 expressed in comment letters for the information of Board members.