



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 233

23 July 2024

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 19 July 2024. At the meeting, the Board made key decisions in relation to the Climate-related Financial Disclosure project.

Climate-related Financial Disclosure

The Board continued its discussion of the feedback received on [draft] ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information* and [draft] ASRS 2 *Climate-related Financial Disclosures* proposed in Exposure Draft ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* (October 2023).

The Board considered the modifications to the baseline requirements of the IFRS Sustainability Disclosure Standards proposed in [draft] ASRS 1 and [draft] ASRS 2 (Specific Matters for Comment (SMCs) 2–8 in ED SR1). In respect of ASRS 1 and ASRS 2, the Board decided to revert to the IFRS Sustainability Disclosure Standards baseline by:

- (a) incorporating the conceptual content of the baseline into the ASRS Standards rather than merely referencing the *Conceptual Framework for Financial Reporting* and the *Framework for the Preparation and Presentation of Financial Statements* (SMC 2);
- (b) omitting paragraphs Aus6.2 of [draft] ASRS 1 and Aus4.2 of [draft] ASRS 2, which proposed requiring an entity that assessed it has no material climate-related risks and opportunities to disclose that fact and explain how it came to this conclusion (SMC 3);
- (c) omitting the proposed requirements for an entity to refer to the *Australian and New Zealand Standard Industrial Classification* (ANZSIC) as the basis for identifying industries when voluntarily making industry-based disclosures (SMC 5);
- (d) omitting the Aus paragraphs of the [draft] ASRS Standards that would have expressly permitted an entity to provide voluntary disclosures based on other relevant frameworks or

Contact us: Australian Accounting Standards Board, PO Box 204, Collins Street West, Victoria 8007

Phone (03) 9617 7600 **Email** standard@asab.gov.au **Website** www.asab.gov.au

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pronouncements (e.g. the SASB Standards) – which omission would not prevent an entity providing such voluntary disclosures (SMC 6);

- (e) omitting paragraph Aus60.1 of [draft] ASRS 1 that proposed requiring an entity to provide information in a manner that would enable users of general purpose financial reports to locate the disclosures prepared in accordance with ASRS Standards (SMC 7); and
- (f) including paragraphs 69 and B48 of IFRS S1 in the ASRS Standards to address interim-period climate-related financial disclosures provided by an entity (SMC 8).

In respect to the mandatory ASRS 2, the Board decided in considering SMC 5 to depart from the IFRS Sustainability Disclosure Standards at this time by not requiring an entity to:

- (a) refer to and consider the SASB Standards and the IFRS S2 Industry-based Guidance; or
- (b) provide industry-based disclosures.

However, the Board decided to add separate projects to the AASB work plan to consider the suitability of the SASB Standards, IFRS S2 Industry-based Guidance and industry-based disclosure requirements after the ASRS Standards have been finalised.

Not-for-Profit and Public Sector Entities

The Board considered the modifications to the baseline requirements of IFRS S2 *Climate-related Disclosures* proposed in [draft] ASRS 1 and [draft] ASRS 2 for not-for-profit (NFP) entities (SMCs 23–27 in ED SR1). In respect of ASRS 2, the Board decided to:

- (a) not modify the objective of ASRS 2 for NFP entities, by omitting paragraph Aus2.2 of [draft] ASRS 2 and all proposed modifications related to adding the phrase “ability to further its objectives”;
- (b) require NFP entities to refer to the definition of “primary users of general purpose financial reports” described in the *Framework for the Preparation and Presentation of Financial Statements* when applying ASRS 2; and
- (c) specify that all entities applying ASRS 2 (i.e. not only NFP entities) would not need to undertake an exhaustive search for information in identifying climate-related risks and opportunities that could reasonably be expected to affect the entity’s prospects, by omitting paragraph Aus4.1 of [draft] ASRS 2 and incorporating paragraph B10 of IFRS S1.



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In respect to public sector entities (SMCs 28–29 in ED SR1), the Board decided:

- (a) no specific modifications to the baseline of IFRS S2 were warranted for government-owned corporations incorporated under the *Corporations Act 2001* that would be within the scope of the proposed legislative amendments that would require compliance with the AASB's mandatory ASRS 2; and
- (b) the Board will undertake a project to consider developing additional guidance to assist NFP public sector entities to apply ASRS 2, commencing after finalising ASRS 1 and ASRS 2 by considering the forthcoming IPSASB Exposure Draft on Climate-related Disclosures (expected to be published in October 2024).

The Board considered the feedback received on the General Matters for Comment in ED SR1 and decided that no further standard-setting work is needed in response before finalising ASRS 1 and ASRS 2. However, the Board decided to undertake a project to address scalability and cost-benefit concerns for NFP entities and smaller entities.

After finalising ASRS 1 and ASRS 2, the Board will discuss the priority of the new projects added to its work plan as well as considering whether to develop additional guidance for other aspects of ASRS 2.

Recently Approved Documents

Since last reported (Action Alert, 28 June 2024), the Board has not approved any Standards, Exposure Drafts or other proposal documents.

Documents Open for Comment

The following documents are open for comment. AASB submissions to the IASB, the ISSB, the IFRS Interpretations Committee, the IFRS Foundation, the IPSASB and other organisations are published on the AASB website.

Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
AASB	ED 330 Contracts for Renewable Electricity	ED 330	closed	7 August 2024



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AASB Board Future Meeting Dates

26 August 2024

30 August 2024

5–6 September 2024

7–8 November 2024

26 and 30 August 2024 AASB meetings

The Board is expected to address the following agenda items:

Climate-related Financial Disclosure