



Project:	Research Centre	Meeting:	March 2024 (M201)
Topic:	Research and post-implementation review updates	Agenda Item:	10.1
		Date:	20 February 2024
Contact(s):	Eric Lee elee@asb.gov.au	Project Priority:	N/A
		Decision-Making:	N/A
		Project Status:	Report to Board

Objectives of this paper

- 1 The objective of this agenda item is to provide the Board with **updates** on the key AASB Research Centre activities, including post-implementation review projects.

Attachments

- Agenda Paper 10.2 Post-Implementation Reviews: Project Updates
- Agenda Paper 10.3 [AASB-AUASB Joint Research Report: Trends in climate-related disclosures and assurance in the Annual Reports of ASX-listed entities \(November 2023\)](#)
[supporting documents folder]
- Agenda Paper 10.4 AASB Research Centre SSRN Working Paper No. 24-01 Report on Australian listed companies' readiness for IFRS S2 *Climate-related Disclosures*
[supporting documents folder]
- Agenda Paper 10.5 Comment Letter on EFRAG Discussion Paper *Accounting for Variable Consideration from a Purchaser's Perspective*

Structure

- 1 This paper is structured as follows:
 - (a) [Background \(paragraphs 2\)](#)
 - (b) [AASB Research Reports \(paragraphs 3-4\)](#)
 - (c) [AASB SSRN Working Paper \(paragraphs 5-6\)](#)
 - (d) [AASB Dialogue Series Sessions \(paragraphs 7-8\)](#)
 - (e) [Research Projects \(paragraphs 9-14\)](#)
 - (f) [Comment letter Submission \(paragraphs 15-17\)](#)

Background

- 2 This paper provides an overview of activities that have taken place since the Board received updates in the November 2023 meeting. Alongside the research-related work in other pertinent agenda papers concerning stand-setting work, this paper provides a summary of activities recently completed or scheduled for the near future.

- 3 Agenda paper 10.2 presents an overall progress update on the post-implementation review (PIR) projects.

AASB Research Reports

AASB-AUASB Joint Research Report: Trends in climate-related disclosures and assurance in the Annual Reports of ASX-listed entities (November 2023)

- 4 The AASB and AUASB published an updated joint [research report](#) (authored by Jean You and Professor Roger Simnett), which identifies climate-related disclosures and associated assurance practices in the Annual Reports of ASX-listed entities. This publication builds on the previously issued AASB-AUASB Research Report *Climate-related disclosures and assurance in the annual reports of ASX-listed companies* by extending the 2018-2021 sample period to 2022.
- 5 This Research Report identifies several trends in climate-related reporting and assurance that have continued in 2022, including:
- Entities are increasingly disclosing climate-related information in their Annual Report/Corporate Governance Statement;
 - Climate-sensitive industries continue to be more likely to disclose climate-related information with extant reporting standards and/or guidelines;
 - Most disclosures are outside of the financial statements and are therefore not subject to audit;
 - There continues to be an increase in the number of disclosers referencing the TCFD recommendations, including reporting against the four pillars;
 - The number of climate-related content in Key Audit Matters (KAMs) continues to increase; and
 - Limited assurance is still the dominant level of assurance being provided over climate-related information, with only three instances where both limited and reasonable assurance was provided.

AASB SSRN Working Paper

- 6 The AASB Research Centre has recently accepted a working paper titled 'Report on Australian listed companies' readiness for IFRS S2 *Climate-related Disclosures*' as AASB SSRN Working Paper 24-01. The paper is authored by Professor Christine Jubb (Swinburne University of Technology) and Zihan Liu (University of Otago). The findings from the working paper contribute to the AASB Sustainability Reporting project.
- 7 Overall, the findings of the research reveal a disappointingly low incidence of key future-oriented concept disclosures, particularly for 'time horizon'. Surprisingly, the disclosure *quality* measure used in the paper reveals that non-environmentally sensitive industries tend to outperform environmentally sensitive industries on climate-related, future-oriented disclosures but for the *quantity* measure, the situation is reversed. It is acknowledged that climate-related disclosures are still in the early stages for many entities in Australia, and further research is warranted.

AASB Dialogue Series Sessions

Upcoming AASB Dialogue Series Session

- 8 The upcoming session of the AASB Dialogue Series, titled '*Boundary and connectivity of reporting*', is scheduled for 25th March 2024 (Monday), from 4 pm to 5.15 pm AEDT.
- 9 The session will feature Jade (Shizhe) Chen (University of Melbourne), who will present research findings from her recently completed honours dissertation. The research examines whether varying report location (i.e. connectivity) and nature of presentation (quantitative

versus qualitative) of reported sustainability information will impact the relevance of sustainability information as perceived by investors.

Research projects

Undue Cost or Effort

- 10 In February 2024, the Malaysian Accounting Standards Board (MASB) and the AASB Research Centre reached an agreement to undertake a collaborative research project exploring the concept and application of undue cost or effort in the accounting standards. The project aims to comprehend the challenges associated with applying the principle of undue cost or effort and to propose potential solutions.
- 11 Currently, staff are conducting preliminary research to define the scope of the project. It is anticipated that a joint research report will be finalised by Q4 2024. The findings will be disseminated in various standard-setter meetings and conferences.

Statement of Cash Flows and Other Related Information

- 12 The AASB Research Centre has commenced the early stages of its research project on the statement of cash flows and other related cash flow information.
- 13 The objective of the early phase of the research project is to determine, from the users' perspective, whether there is a deficiency of information in the cash flow statement or other related cash flow information that needs to be addressed in accounting standards.
- 14 Targeted outreach activities and interviews will be conducted to gather feedback from users, including a roundtable session with FINSIA scheduled for April 2024.
- 15 It is anticipated that the IASB will define the scope of its statement of cash flows research project in H2 2024. The findings from this research will inform and contribute to the scoping process of the IASB.

Comment Letter Submission

EFRAG

- 16 In September 2022, EFRAG published the Discussion Paper [Accounting for Variable Consideration – From a purchaser's perspective](#) and asked for comments by 30 November 2023.
- 17 The objective of the discussion paper is to consider possible alternative accounting requirements on challenges related to the accounting for variable consideration that can inform the IASB on any future standard-setting activities on or related to this topic.
- 18 In January 2024, the AASB Research Center had the opportunity to respond to the EFRAG's discussion paper by submitting a [comment letter](#).

Question to the Board:

Do Board members have any comments or questions about the research update?