

Basis for Conclusions

This Basis for Conclusions accompanies, but is not part of, AASB S1.

Introduction

BC1 This Basis for Conclusions summarises the Australian Accounting Standards Board’s (AASB’s) considerations in developing AASB S1. In making decisions, individual Board members gave greater weight to some factors than others.

Reasons for a Voluntary Standard on General Requirements for Disclosure of Sustainability-related Financial Information

BC2 The International Sustainability Standards Board (ISSB) was established by the IFRS Foundation in November 2021 to create a comprehensive global baseline for sustainability and climate-related financial disclosure focused on the needs of investors and the financial markets.

BC3 The ISSB published its first two IFRS Sustainability Disclosure Standards in June 2023:

- (a) IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*; and
- (b) IFRS S2 *Climate-related Disclosures*.

BC4 Following multiple consultations led by the Treasury, the Australian Government released its final policy design for mandatory climate-related financial disclosure requirements in January 2024. This confirmed the Australian Government’s intention to take a ‘climate first, but not only’ approach to mandatory disclosure requirements.

BC5 The AASB recognised that while the Australian Government’s initial focus is on mandatory climate-related financial information disclosure requirements, mandatory disclosure requirements for other sustainability-related topics may develop over time.

BC6 Furthermore, the AASB received considerable stakeholder feedback to its Exposure Draft ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* (October 2023) indicating that the structure of the Australian Sustainability Reporting Standards should:

- (a) align as closely as practicable with the IFRS S1 and IFRS S2 baseline;
- (b) accommodate any potential expansion of mandatory reporting requirements beyond climate-related disclosures; and
- (c) limit the need for cross-referencing between the Standards.

BC7 The AASB considered several avenues for addressing this feedback while remaining focused on the Australian Government’s policy of mandating only climate-related disclosure requirements at this time. The AASB concluded that it could best align with IFRS S1 and IFRS S2, while remaining focused on mandating only climate-related financial information disclosure, by:

- (a) issuing a voluntary AASB S1 that has the same scope as IFRS S1, that is, sustainability-related financial disclosures; and
- (b) making a mandatory AASB S2 that has the same scope as IFRS S2, that is, climate-related financial disclosures, but which also incorporates those general principles, including conceptual content, from AASB S1 that are necessary to make AASB S2 function as the standalone mandatory Standard containing all of the requirements regarding climate-related financial disclosures.

BC8 The AASB observed that, under this approach, entities could voluntarily choose to apply AASB S1 as the basis for providing sustainability-related financial disclosures in their sustainability reports, in addition to providing the climate-related financial disclosures required by AASB S2.