



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 238

12 March 2025

Welcome to the AASB Action Alert

The AASB Board met in public and in private on 6–7 March 2025. At the meeting, the Board made key decisions in relation to:

[Climate-related Financial Disclosure](#)

[ITC 51 – Post-implementation Review of Not-for-Profit Topics](#)

[Tier 2 – Classification and Measurement of Financial Instruments](#)

The Board also discussed the following topics:

[Tier 2 – Contracts Referencing Nature-dependent Electricity](#)

[Provisions – Targeted Improvements](#)

[Not-for-Profit Private Sector Financial Reporting Framework \(Tier 3\) and Conceptual Framework](#)

[Research Update](#)

Climate-related Financial Disclosure

Proposed amendments to IFRS S2

The Board noted the ISSB decided at its January 2025 meeting to respond to stakeholder feedback on aspects of IFRS S2 *Climate-related Disclosures* by issuing an Exposure Draft for a 60-day comment period proposing the following narrow-scope amendments:

- (a) clarifying that disclosure is not required of Scope 3 Category 15 (investments) greenhouse gas (GHG) emissions for derivatives and specific financial activities, including insurance-associated activities and commercial banking activities;

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- (b) in relation to measuring GHG emissions:
 - (i) extending jurisdictional relief from the requirement to apply global warming potential (GWP) values from the latest Intergovernmental Panel on Climate Change (IPCC) assessment if a jurisdiction in which the entity operates requires different values; and
 - (ii) clarifying that an entity could use a method other than the Greenhouse Gas Protocol Standards when that other method is required in a jurisdiction in which the entity operates; and
- (c) permitting entities to use an industry classification system other than the Global Industry Classification Standard (GICS) when they do not subscribe to GICS.

The Board decided to issue an AASB Exposure Draft that incorporates the ISSB Exposure Draft for a 30-day comment period, to facilitate obtaining Australian stakeholders' feedback to inform the AASB's submission to the ISSB on its proposals.

The Board noted the ISSB has indicated its Exposure Draft will be issued in the second quarter of 2025. The Board delegated approval of the AASB Exposure Draft to the Chair. The Board also decided to form a sub-committee to prepare the Board's submission on the ISSB ED, with final approval by the Chair.

AASB S2 project plans

The Board considered the following draft project plans to support Australian entities as they commence a phased approach to mandatory reporting using AASB S2 *Climate-related Disclosures* from 1 January 2025:

- (a) AASB S2: Implementation Support;
- (b) AASB S2: Proportionality; and
- (c) AASB S2: Industry-based Information.

The Board decided that the Implementation Support and Industry-based Information project plans would be finalised out of session by the Chair. The Proportionality project plan is expected to be considered further at the July 2025 meeting.

The Board also decided to form a sub-committee to finalise the Terms of Reference for the proposed Implementation Advisory Panel on AASB S2 *Climate-related Disclosures*.

The Board received an update on international and jurisdictional sustainability reporting developments.



ITC 51 – Post-implementation Review of Not-for-Profit Topics

The Board discussed the feedback received in response to two of the topics in Invitation to Comment ITC 51 *Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements*, specifically Topic 3: Related party disclosures by not-for-profit (NFP) public sector entities and Topic 4: Basis of preparation of special purpose financial statements – disclosures about compliance with Australian Accounting Standards.

After considering stakeholder feedback, the Board decided:

- (a) not to propose any amendments to AASB 124 *Related Party Disclosures* in respect of NFP public sector entities. However, the Board will monitor the International Public Sector Accounting Standards Board's Making Materiality Judgements project, which might inform future improvements to AASB 124 in relation to public sector entities; and
- (b) not to propose any amendments to AASB 1054 *Australian Additional Disclosures* in respect of the disclosures required of certain NFP private sector entities in their special purpose financial statements. However, the Board will monitor the disclosure requirements in light of the Board's Conceptual Framework: Not-for-Profit Amendments project.

Tier 2 – Classification and Measurement of Financial Instruments

The Board voted to make Accounting Standard AASB 2025-2 *Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures*. This Standard amends AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to require a Tier 2 entity to disclose information about financial instruments with contractual terms that could change the amount of contractual cash flows based on the occurrence or non-occurrence of a contingent event that does not relate directly to changes in basic lending risks and costs.

The Standard applies to annual periods beginning on or after 1 January 2026, with earlier application permitted. The Standard will be published on the AASB Standards Portal.

Tier 2 – Contracts Referencing Nature-dependent Electricity

The Board considered whether the disclosure requirements added to AASB 7 *Financial Instruments: Disclosures* by AASB 2025-1 *Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity* should also be required of Tier 2 entities. The Board decided to issue an



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Exposure Draft proposing amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* that would add only some of those new disclosure requirements for Tier 2 entities.

For contracts referencing nature-dependent electricity that meet the “own use” criteria in AASB 9 *Financial Instruments* and are recognised as procurement contracts, the Board decided to propose requiring Tier 2 entities to disclose:

- (a) information about contractual features that expose the entity to:
 - (i) variability in the underlying amount of electricity; and
 - (ii) the risk that the entity would be required to buy electricity during a delivery interval in which the entity cannot use the electricity;
- (b) qualitative information about how the entity assesses whether a contract might become onerous, including the assumptions the entity uses in making this assessment; and
- (c) qualitative information about the effects on the entity’s financial performance for the reporting period.

The Board also decided to propose the same transitional relief regarding comparative disclosures on initial application as set out in AASB 2025-1.

Provisions – Targeted Improvements

The Board deliberated its response to the IASB Exposure Draft ED/2024/8 *Provisions—Targeted Improvements* (AASB ED 336), including considering the feedback received from stakeholders. The Board supported the proposed amendments in general but recommends the following improvements:

- (a) clarify that paragraph 14L – which states that an obligation for the exchange of economic resources with another party does not meet the transfer condition for provision recognition (unless the exchange is onerous) – relates to the recognition of the obligation only and does not affect the inclusion of payments for goods and services in measuring a provision if they are either incremental costs of settling the obligation or an allocation of other costs that relate directly to settling obligations of that type (paragraph 40A). The Standard should further explain the interaction of these two requirements;
- (b) clarify whether costs payable to third parties (such as legal costs) should be included in the measurement of a provision;



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- (c) explain in the Basis for Conclusions the reason for deleting paragraph 18, which prohibits recognising provisions for future operating costs;
- (d) clarify that non-performance risks would not be reflected in the expected cash flows for the settlement of provisions;
- (e) permit the proposed transition exceptions for changes resulting from changes to the discount rate and from changes to the costs included in measuring provisions to be applied on the same date;
- (f) in Example 2A, clarify that the assessment of whether a draft law is virtually certain to be enacted may differ across jurisdictions; and
- (g) in Example 13C relating to an annual property tax, explain the reasons why a provision cannot be recognised over time in this scenario.

The Board decided that the submission will be finalised by the Chair.

Not-for-Profit Private Sector Financial Reporting Framework (Tier 3) and Conceptual Framework

The Board received an update on the projects, including a preliminary summary of the feedback received to date from outreach activities on AASB ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* and ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*. ED 334 incorporates proposed amendments to the *Conceptual Framework for Financial Reporting* to add limited Australian guidance for NFP entities. No decisions were made.

Research Update

The Board noted recent and upcoming Research Centre activities, including:

- (a) the demographic composition of attendees and the feedback received from the November 2024 AASB Research Forum;
- (b) the release of the following AASB SSRN Working Papers:
 - (i) Working Paper No. 25-01: *Twenty Years of Mandatory IFRS in Australia: Evidence, Gaps and Future Insights*;
 - (ii) Working Paper No. 25-02: *Disclosures of Carbon Credits in Australia*; and



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- (iii) Working Paper No. 25-03: *Statement of Cash Flows and Related Matters – Australian Listed Entities*;
- (c) the release of the AASB Research Report 23 *Understanding the Impact of Accounting Standards on the Cost of Capital*; and
- (d) progress on the following projects:
 - (i) the NFP public sector entities climate-related financial disclosures research project; and
 - (ii) the AASB, Malaysian Accounting Standards Board (MASB) and CPA Australia joint project *Influencing the IASB's Priorities*.

Recently Approved Documents

Since last reported (Action Alert, 12 November 2024), the Board has approved the following Standards, Exposure Drafts or other proposal documents.

Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
19 November 2024	ED 336 Provisions – Targeted Improvements	31 January 2025
3 February 2025	AASB 2025-1 Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity	1 January 2026
6 March 2025	AASB 2025-2 <i>Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments: Tier 2 Disclosures</i>	1 January 2026

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 336 Provisions – Targeted Improvements	ED 336	closed	12 March 2025



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AASB Board Future Meeting Dates

13 May 2025
3–4 July 2025
19 August 2025
7 October 2025
November 2025 (TBC)

Next AASB meeting

The Board is expected to address the following agenda items:

AASB 18 – Not-for-Profit Public Sector Entities
Climate-related Financial Disclosure
ITC 51 Post-Implementation Review of Not-for-Profit Topics
Not-for-Profit Private Sector Reporting Framework (Tier 3)
Post-Implementation Review – Leases