



Project:	Climate-related Financial Disclosure	Meeting:	19 and 22 July 2024 (M206)
Topic:	Presenting the core content of IFRS S1 in the ASRS Standards (SMC 1)	Agenda Item:	4.1.1
		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

- 1 The purpose of this paper is to summarise the stakeholder feedback received on SMC 1 in ED SR1.
- 2 This paper is for information-only purposes and does not ask the Board to make any decisions.

Executive Summary

- 3 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.
- 4 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.
- 5 As the Board have already decided on a preferred presentation option, this paper does not ask the Board to make any decisions related to SMC 1. However, for purposes of 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.

Structure

- 6 This paper is structured as follows:
 - (a) [Section One](#): Background
 - (b) [Section Two](#): Stakeholder feedback summary

(c) [Section Three](#): Staff analysis and observations

Section One: Background

- 7 The AASB is aligning with the Australian Government’s direction to address climate-related financial disclosures by developing climate-related financial disclosure requirements that can, at least initially, be applied independently of any broader sustainability reporting framework.¹ The current need for legally-binding sustainability standards extends only to climate-related disclosure.
- 8 In ED SR1, the AASB proposed to limit the scope of disclosure requirements based on IFRS S1 to climate-related financial disclosures. Therefore, in developing the [draft] ASRS Standards, all references to “sustainability” in IFRS S1 were replaced with “climate”.²
- 9 After making that change in scope for ED SR1, the proposed requirements in the [draft] ASRS 2 with respect to the core content disclosures of governance, strategy and risk management would duplicate the proposed requirements in the [draft] ASRS 1. To minimise unnecessary duplication, the AASB considered three possible options for presenting the core content disclosure requirements of IFRS S1 in ASRS Standards:
- Option 1** – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2;

Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards; and

Option 3 – two ASRS Standards, by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1.
- 10 The AASB proposed and presented Option 3 in ED SR1 and asked stakeholders for any other presentation approach they considered appropriate as part of SMC 1.
- 11 In May 2024, the Board received a high-level overview of stakeholder feedback on ED SR1. While the feedback on presenting the core content of IFRS S1 in ASRS Standards was mixed, there was general support for greater consistency with the IFRS Sustainability Disclosure Standards baseline. Accordingly, the Board gave preliminary consideration at the May Board meeting to an approach to ASRS 1 and ASRS 2 that would align more closely with the scope of both IFRS S1 and IFRS S2.³
- 12 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.
- 13 As a result, this paper does not ask the Board to make any decisions as it has already decided on a preferred presentation option. Feedback in this paper has therefore been provided primarily for

¹ Paragraph BC8(c) in ED SR1.

² Paragraph BC21 in ED SR1.

³ Refer to [AASB Action Alert \(Issue No: 230\)](#).

completeness. A brief staff analysis is also offered on key thematic issues because staff believe this may be useful in informing the Board's decisions on key issues in the future.

Section Two: Stakeholder feedback summary

14 SMC 1 of ED SR1 asked stakeholders the following question:

In respect of presenting the core content disclosure requirements of IFRS S1, do you prefer:

(a) Option 1 – one ASRS Standard that would combine the relevant contents of IFRS S1 relating to general requirements and judgements, uncertainties and errors (i.e. all relevant requirements other than those relating to the core content that are exactly the same as the requirements in IFRS S2) within an Australian equivalent of IFRS S2;

(b) Option 2 – two ASRS Standards where the same requirements in respect to disclosures of governance, strategy and risk management would be included in both Standards;

(c) Option 3 – two ASRS Standards, by including in [draft] ASRS 1 the requirements relating to disclosures of governance, strategy and risk management, and in [draft] ASRS 2, replacing duplicated content with Australian-specific paragraphs cross-referencing to the corresponding paragraphs in [draft] ASRS 1 (which is the option adopted by the AASB in developing the [draft] ASRS 1 and [draft] ASRS 2 in this Exposure Draft); or

(d) another presentation approach (please provide details of that presentation method)?

Please provide reasons to support your view.

15 A summary of the quantitative and qualitative feedback for this SMC is presented in the following two sections of this paper.

Quantitative stakeholder feedback summary

16 The AASB received 117 comment letters and 289 survey responses for ED SR1. Of these, 64 comment letters and 113 survey respondents clearly expressed a view on SMC 1.

17 The following table summarises the responses received on SMC 1 (rounded to the nearest %).

	Comment letters ⁴	Survey ⁵
Out of the 64 comment letters and 113 survey responses that expressed a clear view, Option 1 was preferred by...	13%	50%
Out of the 64 comment letters and 113 survey responses that expressed a clear view, Option 2 was preferred by...	30%	14%
Out of the 64 comment letters and 113 survey responses that expressed a clear view, Option 3 was preferred by...	23%	26%
Out of the 64 comment letters and 113 survey responses that expressed a clear view, an alternative option was preferred by...	34%	10%

⁴ 64 of the comment letters expressed a clear view on SMC 1. Further, some respondents did not clearly express their agreement, partial agreement or disagreement with a proposal in their comment letters. Accordingly, staff applied judgement in categorising the overall comments expressed in the comment letters. An overview of stakeholder feedback expressed in the comment letters is presented as Agenda Paper 4.1.8 for the Board's reference.

⁵ 133 survey respondents expressed a clear view on SMC 1. Further, the survey responses have been provided separately for the Board's reference.

18 The quantitative results above indicate that respondents were quite mixed on the preferred presentation option related to SMC 1. While survey respondents expressed a clear preference for Option 1 followed by Option 3, comment letter respondents considered these the least preferable options and encouraged the AASB to pursue Option 2 or an alternative presentation style.

Qualitative stakeholder feedback summary

19 Respondent feedback on presenting the core content disclosure requirements of IFRS S1 in the [draft] ASRS Standards varied considerably. There was no clear consensus on a single preferred presentation approach, with respondents commonly identifying various advantages and disadvantages of a particular presentation option.⁶

20 As stakeholders often expressed diverse views, there were instances where respondents provided reasons to support or oppose a single presentation option, but also provided reasons to support or oppose a different presentation option(s). Consequently, there are instances where respondents expressed reasons that support or oppose multiple presentation options.

21 Reasons provided to *support* **Option 1** included that it:

- (a) offers a more simplified, streamlined, and efficient presentation option—relative to alternatives—because all the disclosure requirements are contained in a single Standard;⁷
- (b) helps to improve the understanding and interpretation of requirements and reduces the likelihood of errors because all the necessary details are contained in a single Standard;⁸
- (c) reduces the extent of duplicate content relative to Option 2;⁹ and
- (d) would help better convey that the project scope is limited to climate-related financial disclosures only (i.e. it does not require broader sustainability-related financial disclosures).¹⁰

22 Reasons provided *against* **Option 1** included that it:

- (a) represents an unnecessary departure from the structure of IFRS Sustainability Disclosure Standards;¹¹
- (b) presents significant challenges for expanding the scope of ASRS Standards beyond climate when compared to other alternatives;¹² and
- (c) presents challenges for international comparability and interoperability with other jurisdictions.¹³

⁶ Roundtable participants were mixed in their support for different presentation options pertaining to SMC 1. Feedback provided to support (or oppose) different options has been integrated into this paper.

⁷ For example, refer to comment letters 59, 64, 75, 80, 108, and survey responses S5, S25, S190, S199, S214, S264, and S275.

⁸ For example, comment letters 15, 35, 59, 70, 80, survey responses S20, S22, Brisbane roundtable 1, Brisbane roundtable 3, virtual roundtable 2, and Melbourne roundtable 4.

⁹ For example, comment letter 70, and survey responses S53, S109, S116, and S129.

¹⁰ For example, comment letter 41.

¹¹ For example, comment letters 26, 65, 88, and 97.

¹² For example, comment letters 3, 62, 65, 88, 97, Perth roundtable 1, Sydney roundtable 1, Virtual roundtable 2, and Melbourne roundtable 4.

¹³ For example, comment letters 62, and 65.

23 Reasons provided to *support* **Option 2** included that it:

- (a) provides the closest alignment to the structure of IFRS Sustainability Disclosure Standards compared to alternatives;¹⁴
- (b) is the most future-proof option should additional topic-specific matters be incorporated into ASRS Standards at a later stage;¹⁵
- (c) helps to support interoperability for entities with reporting obligations in jurisdictions that mandate disclosure requirements based on IFRS Sustainability Disclosure Standards;¹⁶
- (d) enhances readability and reduces the complexity of ASRS Standards that may arise from cross-referencing;¹⁷ and
- (e) offers the best option from a digital tagging perspective because changes arising from any potential additional topic-specific matters in the future would necessitate changes in tagging.¹⁸

24 Reasons provided *against* **Option 2** included that it:

- (a) contains duplicate content that may be considered redundant when the project scope is limited to climate-only;¹⁹ and
- (b) does not offer the improved useability benefits compared to Option 1.²⁰

25 Common reasons provided to *support* **Option 3** include that it:

- (a) minimises duplication between the Standards, which helps to improve the user experience;²¹ and
- (b) helps provide greater clarity regarding the scope of the climate-related financial disclosure project.²²

26 A few respondents explicitly stated support for Option 3 but provided justification consistent with a different presentation option—for example, stating that this option offers the closest alignment to the IFRS Sustainability Disclosure Standards structure relative to alternative options, which would instead be more consistent with Option 2.²³ This created challenges when incorporating the reasons for supporting this presentation option in the qualitative feedback summarised above. These

¹⁴ For example, comment letters 7, 12, 18, 37, 49, 62, 65, 67, 116, survey responses S23, S28, Melbourne roundtable 2, Sydney roundtable 1, Brisbane roundtable 1, Brisbane roundtable 2, Virtual roundtable 1, Virtual roundtable 2, Melbourne roundtable 3, Melbourne roundtable 4, Sydney roundtable 3, and Sydney roundtable 4.

¹⁵ For example, comment letters 3, 9, 12, 18, 20, 26, 44, 62, 65, 68, 80, 107, Melbourne roundtable 1, Sydney roundtable 1, Virtual roundtable 2 of 3, Virtual roundtable 1 of 2, Virtual roundtable 2 of 2, Canberra roundtable 1, and Newcastle roundtable.

¹⁶ For example, comment letters 3, 10, 44, 67, 100, and 116.

¹⁷ For example, comment letters 3, 18, 40, 44, 73, survey responses S136, S192, Sydney roundtable 1, Perth roundtable 2, Brisbane roundtable 2, Virtual roundtable 2 of 2, and Canberra roundtable 2.

¹⁸ For example, comment letter 107, and Brisbane roundtable 2.

¹⁹ For example, comment letters 4, 11, 50, 74, and 79.

²⁰ For example, comment letters 59, and 70.

²¹ For example, comment letters 1, 4, 11, 37, 42, 50, 51, 74, 80, 88, survey responses S31, S119, S156, Melbourne roundtable 2, Perth roundtable 1, Sydney roundtable 2, and Canberra roundtable 1.

²² For example, comment letter 79.

²³ For example, comment letters 14, 16, 27, 43, 101, and 113.

responses are nevertheless reflected in the quantitative support for this option described later in the paper.

27 Reasons provided *against* **Option 3** include that it:

- (a) creates useability and readability challenges for preparers and auditors because the cross-referencing requires going back and forth between two separate Standards;²⁴
- (b) poses some practical challenges for any future expansion into sustainability topics beyond climate;^{25,26}
- (c) may create interoperability challenges for entities with reporting obligations in jurisdictions that mandate disclosure requirements based on IFRS Sustainability Disclosure Standards;²⁷
- (d) could create digital reporting issues for certain entities;²⁸
- (e) represents an unnecessary departure from the structure of IFRS Sustainability Disclosure Standards;²⁹
- (f) creates a precedent that two standards may be created for any additional sustainability-related topics (e.g. biodiversity, human capital, human capital etc.);³⁰ and
- (g) splits the governance, strategy, risk management, and metrics and targets requirements across two standards.³¹

28 Many respondents preferred an alternative presentation option not shortlisted by the AASB.

29 Where respondents identified a particular alternative presentation option, common examples involved addressing the scope limitation and/or alignment to the IFRS Sustainability Disclosure Standards structure via the following:

- (a) introduction of transition relief from reporting on *all* sustainability-related risks and opportunities for a certain period (e.g. five years) until the Treasury decides to expand the scope of the AASB's work beyond climate;³²
- (b) the addition of a scoping paragraph in ASRS 1 that states all references to 'sustainability' in the Standard shall be read as 'climate' for purposes of compliance with ASRS 2;³³ and

²⁴ For example, comment letters 3, 26, 40, 62, survey responses S136, S192, Melbourne roundtable 2, Brisbane roundtable 3, Virtual roundtable 1 of 2, and Sydney roundtable 4.

²⁵ For example, it would require the reinsertion of text into both ASRS 1 and ASRS 2 because the core content requirements are currently split between the two Standards, the updating of cross-references between and within the Standards, and various other amendments.

²⁶ For example, comment letters 3, 62, and 107.

²⁷ For example, comment letters 3, 62, 65, and survey response S28.

²⁸ For example, comment letter 107.

²⁹ For example, comment letter 65.

³⁰ For example, comment letter 41.

³¹ For example, comment letter 73.

³² For example, comment letters 21, 30, 31, 34, 55, 60, 86, 111, and survey response S107.

³³ For example, comment letters 82, 100, Sydney roundtable 3, and Sydney roundtable 4.

(c) making ASRS 1 voluntary and only making ASRS 2 mandatory.³⁴

30 Other alternative presentation options identified by some respondents included:

(a) deleting the duplication from ASRS 1 and keeping the core content requirements in ASRS 2,^{35,36} and

(b) adopting IFRS S1 and IFRS S2 without any revisions or amendments for the Australian context.³⁷

31 Notably, some respondents that preferred an alternative presentation option signalled secondary support for Option 2 because this was seen as most closely aligned with the IFRS Sustainability Disclosure Standards structure.³⁸

32 Some respondents that supported this approach did not necessarily specify a particular alternative presentation option but nevertheless indicated that they did not support the scope limitation and/or would prefer that ASRS 1 and ASRS 2 remain structurally unchanged from IFRS S1 and IFRS S2.³⁹

Section Three: Staff analysis and observations

33 While this paper does not ask the Board to make any decisions, staff believe it is appropriate to identify and briefly discuss some of the key thematic issues that may help inform the Board when deliberating:

(a) the necessary content presented in [draft] ASRS 1 to make ASRS 2 function as a standalone, climate-only Standard at a future meeting;

(b) staff analysis related to remaining SMCs in ED SR1; and

(c) broader technical issues related to the ASRS Standards.

34 Respondent feedback on SMC 1 reveals several key themes:

(a) **diverse preferences for presentation options:** Respondent feedback indicates there was no clear consensus on a single preferred presentation option, with stakeholders expressing diverse views on the merits of each approach. Some stakeholders favoured the simplicity of presenting all disclosure requirements in a single document (Option 1), while others preferred an approach that offered greater alignment with the IFRS baseline (Option 2).

(b) **support for greater consistency with the IFRS baseline:** A recurring theme in respondent feedback was the general support for greater consistency with the IFRS Sustainability Disclosure Standards baseline. Respondents believe that alignment with the baseline was an important

³⁴ For example, comment letters 110, survey response S4, Perth roundtable, Canberra roundtable 1, and Sydney roundtable 3.

³⁵ For example, comment letters 73, 98, and Geelong roundtable.

³⁶ This differs from Option 3 because the substantive core content would all be contained in ASRS 2 (rather than split across ASRS 1 and ASRS 2).

³⁷ For example, survey response S18.

³⁸ For example, comment letters 54, 73, 76, 77, 81, 83, and 86.

³⁹ For example, comment letters 24, 28, 53, 54, 77, 81, 83, 105, and survey response S115.

consideration as it helped to enhance the international comparability of disclosures and potentially reduced the reporting burden for entities operating in multiple jurisdictions.

- (c) **concerns over cross-referencing:** Respondents raised significant concerns about cross-referencing and the complexities it can create. This concern was most pertinent when describing the shortcomings of Option 3.
- (d) **future-proofing:** Respondents expressed a strong desire for the ASRS Standards to accommodate future-proofing. This typically was communicated in a desire to maintain structural alignment with the IFRS Sustainability Disclosure Standards wherever possible.

35 The thematic issues above support the Board’s decision in June 2024 to develop a non-mandatory ASRS 1 covering broader sustainability-related financial disclosures alongside a mandatory climate-only ASRS 2 (which includes the necessary parts of [draft] ASRS 1 to make ASRS 2 function as a standalone, climate-only Standard). This revised approach balances stakeholder preferences by presenting all disclosure requirements in a single document, aligning with the structure of the IFRS baseline, minimising cross-referencing between Standards and offering a more future-proof presentation approach.

Questions to Board members

Q1. Do Board members have any questions about the summary of stakeholder feedback or staff analysis concerning SMC 1?