



# AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 236  
23 September 2024

## Welcome to the AASB Action Alert

The AASB Board met in public and private on 20 September. At the meeting, the Board made key decisions regarding the Climate-related Financial Disclosure project.

### Climate-related Financial Disclosure

#### Inaugural Sustainability Standards Approved

The Board voted to issue its two inaugural Australian Sustainability Reporting Standards, the voluntary Standard AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and the mandatory Standard AASB S2 *Climate-related Disclosures*. This follows the passage of the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* through the Federal Parliament, which empowered the Board to issue sustainability standards.

#### Application

The Treasury Laws Amendment Act amends the *Corporations Act 2001* to introduce sustainability reporting requirements for certain classes of entities. The amendments set out which entities are required to comply with (mandatory) sustainability standards issued by the AASB and specify three initial application dates for the various classes of entities: financial years beginning on or after 1 January 2025, 1 July 2026 and 1 July 2027. To accommodate these legislative requirements, AASB S2 applies to annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

#### AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

AASB S1 is a voluntary Standard, as it has not been issued by the Board for the purposes of the Corporations Act. It has the same scope and content as IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, except for some transition reliefs, which have been modified or omitted to align with the Standard's voluntary status. It also includes several Australian-specific paragraphs referring to general purpose financial reports of not-for-profit (NFP) entities and their primary users, to assist NFP entities electing to apply AASB S1.

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AASB S1 has an effective date of annual reporting periods beginning on or after 1 January 2025, with earlier application permitted, to be consistent with the effective date of AASB S2.

### AASB S2 *Climate-related Disclosures*

AASB S2 is a mandatory Standard, applying under the Corporations Act. It incorporates all requirements of IFRS S2 *Climate-related Disclosures*, with modifications only in respect of the following matters.

- (a) General requirements for disclosure of climate-related financial information – AASB S2 includes an Australian-specific appendix, Appendix D *General requirements for disclosure of climate-related financial information*. Appendix D incorporates paragraphs drawn from AASB S1 but expressed in the context of climate-related financial disclosures, so that AASB S2 can function as the standalone mandatory Standard containing all the requirements regarding climate-related financial disclosures. An entity applying AASB S2 is required to apply Appendix D but is not required to apply AASB S1.
- (b) Avoiding unnecessary duplication of disclosures – AASB S2 paragraphs Aus7.1 and Aus26.1 clarify that the requirements set out in paragraphs 7 and 26 (which are about avoiding unnecessary duplication of disclosures) apply particularly if an entity elects to apply AASB S1 to disclose information about other sustainability-related risks and opportunities in addition to climate-related risks and opportunities.
- (c) Consolidated entity sustainability reporting – paragraphs Aus20.1 and AusB38.1 in AASB S2 Appendix D specify that an entity's climate-related financial disclosures shall be for the same reporting entity as the related financial statements *unless otherwise permitted by law*, given the reporting option available to parent entities under the amendments to the Corporations Act.
- (d) Consideration and disclosure of industry-based information – AASB S2 omits the definition of “disclosure topic” from Appendix A *Defined terms* and modifies or omits the industry-based requirements set out in IFRS S2 paragraphs 12, 23, 28(b), 32, 37, B65(d) and B67. An entity applying AASB S2 is not required to disclose industry-based metrics or to consider those disclosure topics defined in the *Industry-based Guidance on Implementing IFRS S2* issued by the ISSB.
- (e) Users of an NFP entity's general purpose financial report – paragraph AusA1 in AASB S2 Appendix A requires an NFP entity to refer to the descriptions of “general purpose financial reports” and “primary users of general purpose financial reports” in the *Framework for the Preparation and Presentation of Financial Statements* when applying AASB S2, rather than the

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definitions of those terms in Appendix A. Paragraphs AusB14.1 and AusB15.1 in AASB S2 Appendix D provide related guidance for NFP entities.

- (f) Referencing external documents – consistent with the *Legislation Act 2003*, AASB S2 specifies the relevant versions of non-legislative Australian documents and foreign documents referenced in the Standard, such as the latest international agreement on climate change (i.e. the Paris Agreement) and the Global Industry Classification Standard (GICS).

AASB S1 and AASB S2 will be published in the AASB Digital Standards Portal shortly.

### Recently Approved Documents

Since last reported (Action Alert, 10 September 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)
20 September 2024	Australian Sustainability Reporting Standard AASB S1 <i>General Requirements for the Disclosure of Sustainability-related Financial Information</i> [a voluntary Standard]	1 January 2025
20 September 2024	Australian Sustainability Reporting Standard AASB S2 <i>Climate-related Disclosures</i>	1 January 2025

### 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 331 <a href="#">Climate-related and Other Uncertainties in the Financial Statements</a>	<a href="#">ED 331</a>	4 October 2024	28 November 2024
AASB	ED 332 <a href="#">Classification and Measurement of Financial Instruments: Tier 2 Disclosures</a>	<a href="#">ED 332</a>	11 October 2024	–
IASB	ED/2024/4 <a href="#">Translation to a Hyperinflationary Presentation Currency</a>	–	–	22 November 2024
IPSASB	ED 90 <a href="#">Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement</a>	–	–	29 November 2024



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Issuer	Document	AASB No.	AASB Due Date	Other Organisation Due Date
IPSASB	ED 91 <a href="#"><u>Limited-scope Updates to First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSAS) (Amendments to IPSAS 33)</u></a>	–	–	13 December 2024

### AASB Board Future Meeting Dates

7–8 November 2024

### 7–8 November 2024 AASB meeting

The Board is expected to address the following agenda items:

Climate-related and Other Uncertainties in Financial Statements

Defer 2014 Amendments to AASB 10 and AASB 128

Equity Method of Accounting

IPSASB Climate-related Disclosures Exposure Draft

PIR – AASB 1049 Whole of Government and GGS Reporting

Presentation and Disclosure – Public Sector and NFP Entities