



Climate-related Financial Disclosure

Project summary

To address the demand for climate-related financial disclosure requirements while permitting the Board sufficient time to redeliberate its approach to its Sustainability Reporting project, in February 2023, the AASB decided to add a separate project to its work program to develop climate-related financial disclosure requirements for Australia.

In October 2023, the AASB published for public comment ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*. The comment is for 120 days, closing on 1 March 2024.

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Project priority: High

Issued Documents

- ED SR1 [Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information](#)
- ED 321 [Request for Comment on ISSB \[Draft\] IFRS S1 and \[Draft\] IFRS S2](#)

AASB Outreach

- Submissions to ED SR1
- Roundtable discussions on ED SR1
- Submissions to ED 321
- Roundtable discussions on ED 321
- Roundtable discussion on and submissions to ITC 46
- Submissions to ITC 48 *Extended External Reporting*

Project status

- Outreach on ED SR1

Board deliberations

- AASB Action Alert Update and Board Papers

Other

- IFRS Foundation—[International Sustainability Standards Board](#)
- IFRS Foundation—[Technical Readiness Working Group](#)
- ISSB – [Jurisdictional Working Group](#)

AASB Communications

- [AASB Position Statement on Extended External Reporting Framework](#)
- [FRC/AASB/AUASB Position Statement on Extended External Reporting and Assurance](#)

Latest project news

Date

News

11 October 2023 [October 2023 Action Alert](#)

13-14 September 2023 [September 2023 Action Alert](#)

8 August 2023 [August 2023 Action Alert](#)

21-22 June 2023 [June 2023 Action Alert](#)

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

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October 2023	<p>The Board approved publishing Exposure Draft ED SR1 <i>Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information</i> for a 120-day comment period closing 1 March 2024. ED SR1 is expected to be published shortly.</p> <p>ED SR1 will include three proposed Australian Sustainability Reporting Standards (ASRS Standards):</p> <ul style="list-style-type: none">(a) [draft] ASRS 1 <i>General Requirements for Disclosure of Climate-related Financial Information</i>, which is based on IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i>;(b) [draft] ASRS 2 <i>Climate-related Financial Disclosures</i>, which is based on IFRS S2 <i>Climate-related Disclosures</i>; and(c) [draft] ASRS 101 <i>References in Australian Sustainability Reporting Standards</i>, a draft service Standard to list the relevant versions of any non-legislative documents published in Australia and foreign documents that are referenced in ASRS Standards <p>Further to its decisions at its August 2023 meeting to modify the baseline of IFRS S1 and IFRS S2 for the ED, the Board decided to propose additional modifications in the [draft] ASRS 1 and [draft] ASRS 2 in the ED, including the following:</p> <ul style="list-style-type: none">(a) require an entity that determines that there are no material climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects to disclose this fact and explain how it came to this conclusion;(b) clarify that the scope of [draft] ASRS 2 is limited to climate-related risks and opportunities related to climate change and does not apply to other climate-related emissions (e.g. ozone depleting emissions) that are not greenhouse gas (GHG) emissions;(c) require an entity to convert greenhouse gases into a CO₂ equivalent value using the global warming potential values from the same Intergovernmental Panel on Climate Change assessment report as that applying under the Paris Agreement and the <i>National Greenhouse and Energy Reporting Act 2007</i> and related regulations (NGER Scheme legislation);(d) require an entity to prioritise applying relevant methodologies in NGER Scheme legislation as the default methodologies for measuring GHG emissions before referring to foreign measurement frameworks;(e) permit an entity to disclose Scope 3 GHG emissions measured using data for the immediately preceding reporting period, if reasonable and supportable data related to

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the current reporting period is not available to the entity at the reporting date without undue cost or effort; and

- (f) require an entity that would be required by the *Corporations Act 2001* to prepare climate-related financial disclosures to:
 - (i) undertake climate resilience assessments against at least two possible future states, one of which must be consistent with the most ambitious global temperature goal set out in the *Climate Change Act 2022* (i.e. 1.5°C above pre-industrial levels); and
 - (ii) disclose its market-based Scope 2 GHG emissions, with transitional relief for the first three annual reporting periods in which the entity applies [draft] ASRS 2.

The Board will review outreach plans of the staff to ensure that both for-profit entities and not-for-profit entities across Australia are given the opportunity to engage on the proposals in the ED.

September 2023 Exposure Draft

The Board discussed a draft Exposure Draft of its Climate-related Financial Disclosure Standards and decided on a 90-day public consultation period. The Exposure Draft is expected to be published in October 2023, following publication by Treasury of a Position Paper.

Due Process and Standard-Setting Frameworks

To support its ongoing work on developing Climate-related Financial Disclosure Standards for Australia, the Board discussed and finalised the AASB Due Process Framework for Setting Australian Sustainability Reporting Standards and the AASB Sustainability Reporting Standard-Setting Framework.

[7.1](#) Staff Paper: Due Process and Standard-Setting Frameworks

[7.2](#) Draft AASB Due Process Framework for Setting Australian Sustainability Reporting Standards

[7.3](#) Draft AASB Sustainability Reporting Standard-Setting Framework

August 2023 Approach to Baseline of IFRS Sustainability Disclosure Standards – IFRS S1

The Board considered its approach to the baseline of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. The Board agreed to maintain its preliminary decision to focus only on climate-related financial disclosure requirements at this stage and decided to develop a limited-scope Australian equivalent to IFRS S1 addressing general requirements for climate-related financial disclosures only.

[6.1](#) Staff Paper: Approach to the baseline of IFRS S1—scope limitation

Approach to Baseline of IFRS Sustainability Disclosure Standards – IFRS S2

For the purpose of developing an exposure draft of an Australian equivalent to IFRS S2 *Climate-related Disclosures*, the Board discussed and decided on the following topics:

- (a) Cross-industry greenhouse gas (GHG) emissions intensity disclosure requirements. While the Board acknowledged stakeholders' strong support for the cross-industry disclosure requirements, it agreed with the International Sustainability Standards

Board’s (ISSB) reasons for removing these disclosure requirements—in particular, the Board agreed with the ISSB’s conclusion that users would have the information they needed to calculate the metric should they need to do so. Consequently, the Board decided to maintain alignment with the baseline of IFRS S2 and not re-introduce the cross-industry GHG emissions disclosure requirement that was proposed in paragraph 21 of [draft] IFRS S2.

- (b) Cross-industry internal carbon prices disclosure requirements. The Board acknowledged the mixed feedback it received from stakeholders on the proposed cross-industry internal carbon prices disclosure requirements in paragraph 21 of [draft] IFRS S2. In the absence of adequate evidence that supports removing the disclosure requirements, the Board decided to maintain alignment with the baseline of IFRS S2 and maintain the cross-industry carbon prices disclosure requirements in paragraph 29(f) of IFRS S2.
- (c) Cross-industry executive remuneration disclosure requirements. The Board acknowledged it had disagreed with the proposed cross-industry executive remuneration disclosure requirements when responding to the ISSB’s [draft] IFRS S2 and there is limited evidence that supports maintaining those disclosure requirements. It also noted that the term “executive” is not defined, used or well-understood in the Australian context. However, it concluded that at this stage the perceived benefits of aligning to the baseline of IFRS S2 outweigh the potential unintended consequences of introducing remuneration reporting requirements outside of existing regulatory requirements. Consequently, the Board decided to maintain the cross-industry executive remuneration disclosure requirements in paragraph 29(g) of IFRS S2 and:
 - (i) replace the undefined term “executive” with “key management personnel”, as defined in AASB 124 *Related Party Disclosures*, to avoid potential conflicts with existing regulatory requirements and avoid creating confusion; and
 - (ii) add a question into the exposure draft to gather more evidence about whether to maintain alignment to the baseline of IFRS S2 for these disclosure requirements.

[9.1](#) Staff Paper: Approach to baseline of IFRS S2—GHG emissions intensity

[9.2](#) Staff Paper: Approach to baseline of IFRS S2—Internal carbon prices

[9.3](#) Staff Paper: Approach to baseline of IFRS S2—Remuneration disclosure requirements

Approach to Baseline of IFRS Sustainability Standards – Non-authoritative Guidance

The Board deliberated its approach to the non-authoritative guidance accompanying the baseline of IFRS Sustainability Disclosure Standards. The Board decided that it will use feedback from the forthcoming exposure draft to identify what aspects of the Australian equivalent climate-related disclosure requirements need additional guidance to support implementation. Consequently, the Board decided to defer work on developing Australian equivalent guidance until after the Australian equivalent standards or requirements have been issued.

[7.1.0](#) Staff Paper: Approach to baseline of IFRS Sustainability Disclosure Standards—non-authoritative guidance

Approach to Baseline of IFRS Sustainability Disclosure Standards – SASB Standards and Industry-based Guidance

The Board considered its approach to references and requirements relating to the Sustainability Accounting Standards Board (SASB) Standards in the baseline of IFRS Sustainability Disclosure Standards, as well as the requirements relating to industry-based metrics adapted from the SASB Standards and included in accompanying industry-based guidance. The Board decided to maintain its preliminary decision to remove references to

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SASB from the baseline of IFRS Sustainability Disclosure Standards and not publish industry-based guidance until:

- (a) the content has been comprehensively internationalised by the ISSB; and
- (b) the content has undergone the AASB's due process.

The Board also decided to add an Australian-specific requirement to the IFRS S1 and IFRS S2 that would require an entity, when identifying material industry-based metrics against which to report, to use an industrial classification system that aligns with that developed by the Australian Bureau of Statistics.

[8.1](#) Staff Paper: Approach to baseline of IFRS Sustainability Disclosure Standards—SASB Standards and industry-based guidance

Approach to Baseline of IFRS Sustainability Disclosure Standards – Not-for-Profit Entity Considerations

The Board decided to incorporate the following modifications to the baseline of IFRS S1 and IFRS S2 in an exposure draft to support the application of climate-related financial disclosure requirements for not-for-profit (NFP) entities in the private and public sectors in Australia:

- (a) clarify the ISSB's concepts of "the entity's prospects" and "business model" so that NFP entities would be required to consider the effect of climate-related risks and opportunities on "the entity's ability to further its objectives over the short, medium and long term";
- (b) modify the definitions of "climate-related physical risks" and "climate-related transition risks" to clarify that those risks could also affect a not-for-profit public sector entity's ability to further its objectives; and
- (c) clarify that, consistent with paragraph B10 of IFRS S1, an NFP entity need not undertake an exhaustive search for information to identify climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects. However, an NFP entity would be required to use all reasonable and supportable information available to the entity at the reporting date without undue cost or effort in preparing material climate-related financial information.

The Board decided that the exposure draft should make references to the *Conceptual Framework for Financial Reporting* (for for-profit entities) and the *Framework for the Preparation and Presentation of Financial Statements* (for NFP entities) instead of replicating the definitions of "general purpose financial reports", "primary users of general purpose financial reports" and "material information" in the draft standards.

The Board also decided to formally respond to the exposure draft that the IPSASB is expected to issue in 2024 relating to its Climate-Related Disclosures project. The Board will deliberate, after it has considered the results of the IPSASB's project, the need to undertake a domestic project to develop requirements for NFP public sector entities to report the effect of climate-related risks and opportunities, and related government policies, on the Australian economy, environment and people (i.e. climate-related impact reporting).

[10.1](#) Cover Memo: Approach to IFRS S1 and IFRS S2 – NFP considerations

[10.2](#) Staff Paper: Staff suggested modifications to IFRS S1 and IFRS S2 to support sector neutrality

[10.3](#) IPSASB's Climate-Related Disclosures project brief

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June 2023	<p>The Board decided to expand the scope of the Climate-related Financial Disclosure project, previously limited to the for-profit sector, to explore the development of sector-neutral Australian climate-related financial disclosure requirements.</p> <p>3.0 Staff Paper: Scope of the Climate-related Financial Disclosure project</p>
March 2023	<p>The Board supported the Climate-related Financial Disclosure project plan, which included a revised project timeline reflecting the recent change to the ISSB's timeline for completing its first IFRS Sustainability Disclosure Standards.</p> <p>The Board acknowledged the support amongst stakeholders for the development of industry-based requirements and considered how to address the proposed requirements that had been referred to in Appendix B to [Draft] IFRS S2 <i>Climate-related Disclosures</i>, incorporated in AASB ED 321. The Board noted the complexities and challenges associated with the Appendix B industry-based disclosure requirements being based on and referring to SASB (the former Sustainability Accounting Standards Board) industry classifications and associated Standards.</p> <p>The Board decided to remove references to SASB Standards from its baseline of IFRS Sustainability Disclosure Standards and not to publish industry-based illustrative examples until:</p> <ul style="list-style-type: none">(a) the content has been comprehensively internationalised by the ISSB; and(b) the content has undergone the AASB's due process in Australia. <p>This decision will be revisited by the Board after the ISSB issues IFRS S2 and its accompanying guidance, which is now expected in June 2023, and additional industry-based materials.</p> <p>16.1 Staff Paper: Climate-related Financial Disclosure project plan</p> <p>16.2 Staff Paper: Approach to SASB Standards and the industry-based proposals in Appendix B to [Draft] IFRS S2</p>

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February 2023	<p>To address the demand for climate-related financial disclosure requirements while permitting the Board sufficient time to redeliberate its approach to broader sustainability reporting, the Board supported a “climate first” approach and decided to add a separate project to the Board’s work program to develop climate-related financial disclosure requirements for Australia.</p> <p>The Board also decided to continue applying the preliminary decisions made at its February 2022 (M185) and April 2022 (M186) meetings and the [draft] Sustainability Reporting project plan to its work on developing climate-related financial disclosure requirements. Those decisions are:</p> <ul style="list-style-type: none">(a) to develop a separate suite of sustainability reporting standards alongside the existing Australian Accounting Standards, and address climate as the first sustainability reporting topic;(b) to use the work of the IFRS Foundation’s International Sustainability Standards Board (ISSB) as a foundation, with modifications for Australian matters and requirements;(c) to focus initially on the development of reporting requirements for sustainability-related financial information, which is consistent with the scope of the ISSB’s work;(d) the initial scope of the project relates to the for-profit sectors, with not-for-profit sectors being considered at a later stage; and(e) to apply its existing Due Process Framework for Setting Standards to preliminary work on the Sustainability Reporting project. <p>As part of its discussion on a draft project plan, the Board identified additional risks to project delivery for inclusion in the Climate-related Financial Disclosure project plan, including:</p> <ul style="list-style-type: none">(a) further delays in the International Sustainability Standards Board (ISSB) issuing its sustainability and climate-related financial disclosure standards; and(b) climate-related financial disclosures not being operational for other sectors or types of entities (for example, not-for-profit public and private sector entities or small-to-medium sized entities). <p>The Board decided to implement the Climate-related Financial Disclosure project plan, subject to a revised project timeline reflecting the recent change to the ISSB’s timeline. The Board will consider an updated Climate-related Financial Disclosure project plan at its next meeting.</p> <ul style="list-style-type: none">5.1 Cover memo: Sustainability Reporting and Climate-related Financial Reporting5.2 Developing climate-related financial reporting requirements for Australia5.3.0 [Draft] Climate-related Financial Reporting project plan5.3.1 GRI 305 Emissions 2016 <i>[Supporting Material]</i>5.3.2 GRI 302 Energy 2016 <i>[Supporting Material]</i>
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