



Project:	Climate-related Financial Disclosure	Meeting	AASB August 2023 (M197)
Topic:	Approach to baseline of IFRS Sustainability Disclosure Standards—non-authoritative guidance	Agenda Item:	07.1
		Date:	24 July 2023
Contact(s):	Siobhan Hammond shammond@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Development of an exposure draft

Objective

- 1 The objective of this paper is to present staff analysis and recommendations on the Board’s proposed approach to the non-authoritative guidance accompanying the baseline of IFRS Sustainability Disclosure Standards.¹

Attachments

- 07.1.1 ISSB *Accompanying Guidance on General Requirements for Disclosure of Sustainability-related Financial Information* [Supporting Material – Board Only]
- 07.1.2 ISSB *Accompanying Guidance on Climate-related Disclosures* [Supporting Material – Board Only]

Structure

- 2 This paper is structured as follows:
 - (a) Summary of staff recommendation (paragraph 3)
 - (b) Background (paragraphs 4-5)
 - (c) Staff analysis and recommendation (paragraphs 6-11).

Summary of staff recommendation

- 3 Staff recommend that the Board defer the work on developing Australian equivalent non-mandatory guidance until after the Australian equivalent requirements have been issued.

¹ Note that the approach to the International Sustainability Standards Board’s *Industry-based Guidance on Implementing IFRS S2* is not considered as part of this Agenda Paper but is addressed as part of Agenda Paper 8.1 *Climate-related Financial Disclosure: Approach to baseline of IFRS Sustainability Disclosure Standards—SASB Standards and industry-based metrics*.

Background

- 4 In addition to issuing IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosure*, in June 2023 the International Sustainability Standards Board (ISSB) also published the following non-authoritative guidance:
- (a) ISSB *Accompanying Guidance on General Requirements for Disclosure of Sustainability-related Financial Information* (see Agenda Paper 7.1.1); and
 - (b) ISSB *Accompanying Guidance on Climate-related Disclosures* (see Agenda Paper 7.1.2).
- 5 This paper considers whether Australian-equivalent non-authoritative guidance should be developed in addition to the Board's work on developing an exposure draft on Australian-equivalent standards to IFRS S1 and IFRS S2.

Staff analysis and recommendation

- 6 At its June 2023 meeting, the Board discussed the time, staff and resourcing constraints of the AASB, and how best to balance its existing Work Program in light of those constraints. Consequently, at that meeting, the Board decided to re-prioritise the projects on its Work Program and focus its efforts on a subset of those projects to meet the timelines proposed in Treasury's [Climate-related financial disclosure](#) (December 2022) and [Climate-related financial disclosure: Second consultation](#) (July 2023).²
- 7 Staff considered including the ISSB's non-authoritative guidance as part of the ongoing work on developing an exposure draft of Australian-equivalent standards to IFRS S1 and IFRS S2, however are of the view that such work should not be prioritised at this stage because:
- (a) The highest priority projects of the Board relate to the development of Australian-equivalent standards (or requirements) to IFRS S1 and IFRS S2—this does not include developing Australian-equivalent non-authoritative guidance. Should the Board want to include the development of Australian-equivalent non-authoritative guidance as part of its ongoing work on developing an exposure draft, resources would need to be reallocated from other high priority projects in the Work Program to achieve this.
 - (b) The ISSB's non-authoritative guidance has been developed based on international stakeholder needs and the scope and content of IFRS S1 and IFRS S2. At this stage, considering Treasury's most recent proposals and:
 - (i) the potential pool of entities that could be required to apply Australian-equivalent standards or requirements;
 - (ii) the scope of Australian-equivalent standards or requirements being limited, at least initially, to climate-related financial disclosure only; and
 - (iii) the potential effect of Treasury's future position statement on the baseline of IFRS Sustainability Disclosure Standards (for example, potentially requiring the application of the National Greenhouse and Energy Reporting scheme as opposed to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004));

² See [June 2023 AASB Action Alert](#).

staff are not confident that the needs of Australian stakeholders will necessarily align with that of international stakeholders. That is, Australian stakeholders will likely need non-authoritative guidance tailored to their specific needs which could, based on the Australian-equivalent standards or requirements and Treasury's future position statement, differ substantially from that of international stakeholders.

- 8 Staff acknowledge that the ISSB's non-authoritative guidance may be a useful tool for preparers when considering the implementation of IFRS S1 and IFRS S2 (and as such, any Australian-equivalent standards or requirements). However, staff also acknowledge that the ISSB included an extensive and detailed body of authoritative application guidance within the Appendices to IFRS S1 and IFRS S2 which are integral to the baseline of IFRS Sustainability Disclosure Standards. Consequently, staff are of the view that Australian-equivalent application guidance (developed using the Appendices of IFRS S1 and IFRS S2 as a baseline) should be sufficient for the purposes of an exposure draft.
- 9 Staff consider that, to ensure the Board focuses its efforts on developing relevant and useful non-authoritative guidance, the Board uses the feedback to the upcoming exposure draft to inform any decisions on the guidance needed for Australian stakeholders. That is, as part of responding to the future exposure draft, staff expect stakeholders will highlight which aspects of Australian-equivalent standards or requirements need additional guidance.
- 10 Consequently, in consideration to the Board's agreed upon Work Program in June 2023, staff consider the best approach would be to:
- (c) use the feedback the Board will receive on its future exposure draft to inform any development of non-authoritative guidance; and
 - (d) defer the work on developing that guidance until the Board has issued its final Australian-equivalent standards or requirements.

Staff recommendation and questions to Board members

- 11 Based on the reasons in paragraphs 7-10, staff recommend that the Board defer the work on developing Australian equivalent non-mandatory guidance until after the Australian equivalent standards or requirements have been issued.

Questions to Board members

Q1: Do Board members have any questions about the information provided in this paper?

Q2: Do Board members agree with the staff recommendation in paragraph 11 to defer the work on developing Australian equivalent non-mandatory guidance until after the Australian equivalent standards or requirements have been issued?