



AASB Action Alert

From the Australian Accounting Standards Board

Issue No: 224
10 August 2023

Welcome to the AASB Action Alert

The AASB Board met in public on 8 August 2023. At the meeting, the Board made key decisions in relation to:

[Approach to Baseline of IFRS Sustainability Disclosure Standards – IFRS S1](#)

[Approach to Baseline of IFRS Sustainability Disclosure Standards – IFRS S2](#)

[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](#)

[Approach to Baseline of IFRS Sustainability Disclosure Standards – Not-for-Profit Entity Considerations](#)

The Board also discussed the following topics:

[Not-for-Profit Private Sector Financial Reporting Framework](#)

[Sustainability Reporting Update](#)

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.

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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.



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.

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 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.

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";



AASB Action Alert

Issue No: 224
10 August 2023

- (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).

Not-for-Profit Private Sector Financial Reporting Framework

The Board noted the updated project timeline and decided to form a subcommittee to support the development of the Tier 3 Exposure Draft.

Sustainability Reporting Update

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

Recently Approved Documents

Since last reported (26 June 2023), the Board has approved the following Standards, Exposure Drafts or other proposal documents.



AASB Action Alert

Issue No: 224
10 August 2023

Date Approved	Document	Effective Date (Standards/Int'ns) or Due Date for Submissions (EDs)
5 July 2023	ITC 53 Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	8 September 2023
7 July 2023	ED 325 International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures	22 August 2023
11 July 2023	ITC 54 Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge	10 November 2023

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
IFRS IC	Tentative Agenda Decision Merger between a Parent and Its Subsidiary in Separate Financial Statements (IAS 27)	–	–	14 August 2023
AASB	ITC 52 Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Impairment	ITC 52	18 August 2023	27 September 2023 (IASB)
AASB	ED 325 International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures	ED 325	22 August 2023	–
ISSB	Request for Information Consultation on Agenda Priorities	–	–	1 September 2023
AASB	ITC 53 Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 15 Revenue from Contracts with Customers	ITC 53	8 September 2023	27 October 2023 (IASB)
AASB	ITC 54 Post-implementation Review of AASB 1056 Superannuation Entities and Interpretation 1019 The Superannuation Contributions Surcharge	ITC 54	10 November 2023	–



AASB Action Alert

Issue No: 224
10 August 2023

AASB Board Future Meeting Dates

13-14 September 2023

11 October 2023

29-30 November 2023

September 2023 AASB meeting

The Board is expected to address the following agenda items:

Climate-related Financial Disclosure

Not-for-Profit Private Sector Financial Reporting Framework

Tier 2 (AASB 1060) – Pillar Two International Tax Reform

Post-implementation Review – IFRS 9 Impairment

Post-implementation Review – Income of Not-for-Profit Entities

Sustainability Reporting