



<b>Project:</b>	<b>Climate-related Financial Disclosure</b>	<b>Meeting:</b>	September 2023 (M198)
<b>Topic:</b>	<b>Public consultation, outreach activities and timeline for climate-related financial disclosure requirements</b>	<b>Agenda Item:</b>	4.1
		<b>Date:</b>	29 August 2023
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Develop an Exposure Draft

## Objective

- 1 The objective of this paper is:
  - (a) for the Board to decide on the comment period for the anticipated exposure draft on Australian climate-related financial disclosure requirements (Climate Exposure Draft);
  - (b) remind the Board of the planned approach to public consultation and outreach activities per the [Climate-related Financial Disclosure project plan](#); and
  - (c) consider the proposed timeline for finalising the Australian climate-related financial disclosure requirements.

## Structure

- 2 This paper is structured as follows:
  - (a) Summary of staff recommendations (paragraphs 3)
  - (b) Background (paragraphs 4-6)
  - (c) Staff analysis (paragraphs 7-15)
  - (d) Staff recommendations and questions to the Board (paragraph 16)
  - (e) Proposed timeline and question to the Board (paragraph 17)

## Summary of staff recommendations

- 3 Staff recommend that the Board approve a 90-day comment period for its Climate Exposure Draft.

## Background

- 4 Agenda Item 1.2 of this meeting presents the [Draft] *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards*<sup>1</sup> which describes the proposed steps the AASB intends to take to ensure that any Australian Sustainability Reporting Standards it develops, issues and maintains are principle-based, meet the needs of external report users and are capable of being assured and enforced.
- 5 Appropriate consultation represents one of the key principles underpinning the [Draft] *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards*. The [Draft] Framework describes the steps necessary to ensuring that appropriate consultation is provided for various types of documents including discussion papers, consultation papers, invitations to comment, exposure drafts, draft interpretations, and requests for information.
- 6 Determining the appropriate comment periods for consultative documents identified in paragraph 5 is an important consideration, however, the [Draft] *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* recognises that this is a contextual decision that can vary depending on circumstances.

## Staff analysis

### Comment period

- 7 The [Draft] *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* proposes that the comment period for an exposure draft issued by the AASB typically varies depending on whether:
  - (a) it is issued by a significant international sustainability reporting standard-setter/framework provider; or
  - (b) it is developed domestically and independently from a significant international sustainability reporting standard-setter/framework provider.
- 8 In the case of a standard that is developed by a significant international sustainability reporting standard-setter/framework provider and tied to a 120-day comment period by that provider, the AASB's comment period would usually end 4-6 weeks beforehand to enable the AASB sufficient time to consider submissions. In the case of a domestically developed standard, a period of no less than a 90-day comment period would typically be applied. In both instances however, a period of no less than 30-days may be deemed appropriate if a project is sufficiently narrow in scope or urgent.
- 9 Although IFRS S1 and IFRS S2 will be used as a baseline for developing climate-related financial disclosure requirements in Australia, staff note that the Climate Exposure Draft is not linked to any corresponding public consultation being undertaken by the ISSB.
- 10 Staff also note that stakeholders have already had the opportunity to comment on the core content of IFRS S1 and IFRS S2 in the Australian context as part of the Board's previous public consultation on

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1 Staff will not have presented the [Draft] *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* for the Board's deliberation prior to the presentation of this paper. However, all references made to the [Draft] *AASB Due Process Framework for Setting Australian Sustainability Reporting Standards* in this paper are consistent with the [AASB Due Process Framework for Setting Standards](#)—which the Board decided to apply to its preliminary work on developing climate-related financial disclosure requirements in February 2023 (see [Climate-related Financial Disclosure Project Summary](#)).

[Exposure Draft 321 Request for Comment on \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and \[Draft\] IFRS S2 Climate-related Disclosures](#) (ED 321)—which was made available for a 90-day comment period in 2022. Staff further note that IFRS S1 and IFRS S2 have been publicly available since June 2023 and stakeholders therefore have already had several months to consider the content of these Standards.

- 11 However, staff acknowledge that stakeholders have not had the opportunity to comment on the Australian-specific aspects that the Board has decided on,<sup>2</sup> and that the Board may need to add, to align to the Australian Government and Treasury’s final position when it is made public.
- 12 Staff are of the view that should the Climate Exposure Draft be publicly released by October 2023, a 90-day comment period would be most appropriate because it:
  - (a) will afford stakeholders sufficient time to engage with, and provide feedback on, the Climate Exposure Draft;
  - (b) will still allow staff and the Board sufficient time to analyse stakeholder feedback, redeliberate aspects of the Climate Exposure Draft (where appropriate) and issue standards by Q2 2024;
  - (c) is consistent with the comment period included in the project timeline and included in the Climate-related Financial Disclosure project plan previously agreed on by the Board;<sup>3</sup> and
  - (d) helps to reduce any potential reputational risks to the Board should a shorter comment period be perceived by stakeholders to be insufficient.
- 13 Staff therefore consider that an appropriate comment period for the Climate Exposure Draft be 90 days.

#### **Outreach activities**

- 14 Consistent with the Climate-related Financial Disclosure project plan, staff plan to engage in outreach activities to help obtain detailed and useful feedback on the Climate Exposure Draft. Proposed outreach activities per the project plan include:
  - (a) **Proactive stakeholder engagement**—for example, through one-on-one meetings, meetings with existing AASB advisory committees, tailored outreach events, roundtables (virtual and/or physical) and requesting submissions directly from sustainability reporting stakeholders. Where timing and resources permits, staff intend to target: (i) those stakeholders who have previously provided feedback to the AASB on sustainability reporting<sup>4</sup>; and (ii) other sustainability reporting stakeholders which have been identified as being potentially impacted by climate-related financial disclosure (e.g., climate scientists and regulators).
  - (b) **Survey**—for example, through the development of a survey aimed at engagement with those stakeholders that lack the time and resources to engage with the AASB directly or prepare a formal submission.
- 15 The abovementioned outreach activities would be advertised via the AASB website, direct email to subscribers, AASB Newsletter and social media platforms.

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2 See AASB August 2023 – [Action Alert](#) for a summary of key decisions related to Australian-specific matters.

3 See AASB March 2023 (M194) – [Agenda Item 6.1 Climate-related Financial Disclosure project plan](#).

4 For example, [ITC 46 AASB Agenda Consultation 2022-2026](#), [ITC 48 Extended External Reporting](#) and [ED 321 Request for Comment on ISSB Exposure Drafts on \[Draft\] IFRS S1 and \[Draft\] IFRS S2](#).

**Staff recommendations and questions to Board members**

16 For reasons identified in paragraph 12, staff recommend that the Board provide a 90-day comment period for the Climate Exposure Draft. Staff view the 90-day comment period as suitable because it strikes a balance between providing stakeholders adequate time to respond to the proposal and ensuring staff and the Board have sufficient time to analyse and consider their feedback.

**Question to Board members**

**Q1.** Do Board members have any questions about the information in this paper?

**Q2.** Do Board members agree the staff recommendation to set a 90-day comment period the Climate Exposure Draft?

**Proposed timeline and question to Board members**

17 Subject to the Board agreeing with the staff recommendation to set a 90-day comment period—and the Climate Exposure Draft being issued in October 2023<sup>5</sup>—staff propose the following timeline for issuing the final standards:

Dates / Meetings	Milestones
October 2023	Board subcommittee to review and approve the Climate Exposure Draft out of session in October 2023.  Commence 90-day comment period until January 2024.
October 2023 – January 2024	Staff undertake outreach activities regarding the Climate Exposure Draft.
February 2024: Board meeting	Board to consider:  1. stakeholders’ feedback on the Climate Exposure Draft;  2. staff’s recommended changes to the proposals in response to stakeholders’ feedback; and  3. whether any changes to the Climate Exposure Draft proposals require exposure for public comment.
March 2024 – April 2024	If required, issue proposal document (either another exposure draft or Fatal-Flaw Review Draft Standards) for a 21-day comment period. <sup>6</sup>

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5 That is, the Board either approves the Climate Exposure Draft at its September 2023 meeting without deferring to a subcommittee or a Board subcommittee review and approve it out of session.

6 Staff consider it unlikely that a proposal document will be required, however, have prepared the timeline on a conservative basis to account for this possibility. If a proposal document is not required, staff anticipate the standards to be finalised by April/May 2023.

Dates / Meetings	Milestones
June 2024: Board meeting	Board to: <ol style="list-style-type: none"> <li>1. consider stakeholders' feedback on proposal document (if issued);</li> <li>2. consider staff's recommended changes to the proposals in response to stakeholders' feedback; and</li> <li>3. vote on the ballot draft Standards.</li> </ol>
June 2024	Issue final standards by 30 June 2024.

**Question to Board members**

**Q3.** Do Board members have any questions or comments on the proposed timeline?