



Project:	Sustainability Reporting and Climate-related Financial Reporting	Meeting	AASB February 2023 (M193)
Topic:	Cover memo	Agenda Item:	5.1
		Date:	23 January 2023
Contact(s):	Siobhan Hammond shammond@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Decide on project direction

Objective

- 1 The objective of this session is for the Board to decide on next steps and project direction for the sustainability reporting and climate-related financial reporting projects.
- 2 This paper is for information purposes only and does not ask the Board to make any decisions.

Background

- 3 In Q4 of 2021, the Board publicly consulted on Sustainability Reporting as part of the [ITC 46 AASB Agenda Consultation 2022–2026](#) and [ITC 48 Extended External Reporting](#). Feedback to those public consultations highlighted significant support for the Board to undertake a project on sustainability reporting and, as a result, in February 2022 (M185), the Board added the Sustainability Reporting project to its work program. The Board also made the following preliminary decisions to assist staff in developing a draft project plan:¹
 - (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. The Board further clarified that while climate would be the first topic to be addressed, it would not be the only topic and it intends to consider other sustainability reporting topics at a later stage;
 - (b) use the work of the IFRS Foundation’s International Sustainability Standards Board (ISSB) as a foundation, with modifications for Australian matters and requirements. The Board further clarified that the focus for the project should be to prioritise international alignment and amend or modify international sustainability-related financial reporting requirements where it is necessary to meet the needs of Australian stakeholders;
 - (c) the initial scope of the project relates to the for-profit sectors, with not-for-profit (NFP) sectors being considered at a later stage. However, the Board also asked staff to continue to engage with NFP private and public sector entities in considering the initial project development; and
 - (d) to apply its existing [Due Process Framework for Setting Standards](#) to preliminary work on the Sustainability Reporting project.

¹ See the [Sustainability Reporting project summary](#).

- 4 At its April 2022 (M186) meeting, the Board continued its discussion on the intended objective of the project and made a preliminary decision to initially focus on the development of reporting requirements for sustainability-related financial information, which is consistent with the proposed scope of the ISSB's work.²
- 5 In order to inform any possible future development of a separate suite of Australian sustainability reporting standards by the Board, in April 2022, the Board published [Exposure Draft \(ED\) 321 Request for Comment on \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and \[Draft\] IFRS S2 Climate-related Disclosures](#) to:
- (a) gather feedback to assist the Board to provide input into the ongoing work of the ISSB;³ and
 - (b) inform the Board as to the appropriateness of and support for its proposed approach to sustainability-related financial reporting in Australia.
- 6 At its May 2022 (M187) meeting, the Board considered and agreed to implement the [draft] Sustainability Reporting project plan until such a time as it could revisit its preliminary decisions.⁴
- 7 In October 2022, the AASB was allocated funding to develop climate reporting standards for large businesses and financial institutions in the [Australian Government's Budget October 2022-23](#). Furthermore, in December 2022 Treasury published [Climate-related financial disclosure](#) for public consultation⁵ which indicates that climate-related financial reporting requirements will likely need to be developed by the Board as a matter of urgency.⁶

Structure

- 8 Staff have structured the meeting as follows:
- (a) **Agenda Paper 5.2 *Developing climate-related financial reporting requirements for Australia***—the objective of this paper is to present staff analysis and recommendations on a climate-first approach which would permit the Board to meet the demand for climate-related financial reporting requirements in the short-term while continuing to develop its approach to sustainability reporting in the long-term;
 - (b) **Agenda Paper 5.3 *[Draft] Climate-related Financial Reporting project plan***—the objective of this paper is to present staff analysis and recommendations on the approach to, and anticipated project timeline for, developing climate-related financial reporting requirements;⁷
 - (c) **Agenda Paper 5.4 *[Draft] Sustainability reporting standard-setting framework***—the objective of this paper is to present staff analysis and recommendations on the proposed approach to developing a draft sustainability reporting standard-setting framework and the criteria that staff and the Board should apply when identifying when it is appropriate to depart from the baseline of IFRS Sustainability Disclosure Standards.

² See [April 2022 \(M186\) Action Alert](#).

³ See [AASB and AUASB joint submission on \[Draft\] S1 and S2](#).

⁴ See [May 2022 \(M187\) Action Alert](#).

⁵ Note that Treasury's public consultation on Climate-related financial Disclosure closes 17 February 2023.

⁶ For an update on Australian and international sustainability reporting developments, refer to Agenda Paper 4.1 *Sustainability Reporting: Update on international and jurisdictional perspectives*.

⁷ Note that this paper is dependent on the Board agreeing with the staff recommendations in Agenda Paper 5.2. Should the Board disagree with the staff recommendations in Agenda Paper 5.2, this paper will not be relevant for the Board's consideration.

Next steps

9 Should the Board agree with the staff recommendations in Agenda Papers 5.2, 5.3 and 5.4, staff plan to bring the following topics to the Board for discussion in relation to the Climate-related Financial Reporting project (see Agenda Paper 5.3 for the detailed project timeline):

Anticipated timeline	Description of key activities
March 2023	<ul style="list-style-type: none"> • Commence project deliberations • Consider a draft sustainability reporting standard-setting framework for implementation in developing climate-related financial reporting requirements
April-May 2023	<ul style="list-style-type: none"> • Finalise project based on the ISSB’s issued standards • Publication of an exposure draft on climate-related financial reporting requirements
June-July 2023	<ul style="list-style-type: none"> • Outreach on the exposure draft
July-September 2023	<ul style="list-style-type: none"> • Analysis of feedback to the exposure draft • Project redeliberations based on feedback to the exposure draft • Commence drafting of a final climate-related financial reporting standard
October-November 2023	<ul style="list-style-type: none"> • Finalise drafting of a climate-related financial reporting standard (continued) • Issue voluntary standard on climate-related financial reporting

Question to Board members

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