



<b>Project:</b>	<b>Sustainability Reporting</b>	<b>Meeting</b>	AASB December 2022 (M192)
<b>Topic:</b>	<b>Update on international and jurisdictional perspectives</b>	<b>Agenda Item:</b>	5.1
		<b>Date:</b>	6 December 2022
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		<b>Decision-Making:</b>	None
		<b>Project Status:</b>	Consider feedback from outreach activities

## Objective

- 1 The objective of this paper is to inform Board members of international and jurisdictional developments in sustainability reporting.
- 2 This paper is for information purposes only and does not ask the Board to make any decisions.

## Attachments

- Agenda paper 5.1.1 Draft GSSB Work Program 2023-2025 [supporting documents folder]  
Agenda Paper 5.1.2 Staff Draft on GRI 304 *Biodiversity* [supporting documents folder]  
Agenda Paper 5.1.3 Exposure Draft on GRI 304 *Biodiversity* [supporting documents folder]

## Structure

- 3 This paper is structured as follows:
  - (a) Background (paragraph 4)
  - (b) IFRS Foundation (paragraph 5-6)
  - (c) International Sustainability Standards Board (paragraphs 7-37)
  - (d) Global Reporting Initiative (paragraphs 38-42)
  - (e) International Public Sector Accounting Standards Board (paragraphs 43-44)
  - (f) Task Force on Climate-related Disclosures (paragraph 45)
  - (g) Update on selected jurisdictional sustainability reporting perspectives (paragraphs 46-57)
  - (h) Question to Board members.

## Background

- 4 The Board was provided with an overview of international and jurisdictional developments on sustainability-related financial reporting at its February, May, August, September and

November 2022 meetings. This paper provides an update on those developments since the Board's meeting in November 2022.

## **IFRS Foundation**

### **Integrated Reporting and Connectivity Council (IRCC)**

5 In November 2022, the IFRS Foundation Trustees announced the membership of a new advisory group, the Integrated Reporting and Connectivity Council (IRCC), chaired by Charles Tilley OBE, former CEO of the International Integrated Reporting Council and former CEO of the Chartered Institute of Management Accountants. The IRCC's Vice-Chair is Suresh Kana, a Trustee of the IFRS Foundation.<sup>1</sup> Australian IRCC members are:

- (a) Pru Bennett (Brunswick Group),
- (b) John Stanhope (Deakin University),
- (c) Simon Grant (CAANZ) and
- (d) Patrick Viljoen (CPA Australia)

6 The group brings together regulators, investors, national-standard setters, accounting professionals, academics and individuals from companies and non-governmental organisations from around the world. As an advisory body to the IFRS Foundation Trustees, the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB), the IIRC will provide guidance on how reporting required by the IASB and the ISSB could be integrated, and how the principles and concepts from the International Integrated Reporting Framework (<IR> Framework) can be considered in the context of IASB and ISSB projects.

### **International Sustainability Standards Board (ISSB)**

#### **ISSB Appointment**

7 In October 2022, the ISSB announced the appointment of Ken Shibusawa as special adviser to the Chair of the ISSB. In his role, Mr Shibusawa will provide strategic counsel to the Chair of the ISSB and will be focusing on jurisdictional matters in relation to the adoption of IFRS Sustainability Disclosure Standards in Japan. Mr Shibusawa also serves as a steering group member of the United Nations Development Programme (UNDP) Sustainable Development Goals Impact, and as director of Keizai Doyukai (the Japan Association of Corporate Executives).

#### **November ISSB meeting**

8 Since the Board's November 2022 meeting, the ISSB met on 15-16 November 2022 to continue redeliberations on some of the proposals in Exposure Drafts [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*.<sup>2</sup> The ISSB discussed the following topics:

- (a) Current and anticipated financial effects and connected information (see paragraphs 8);
- (b) Comparative information and updated estimates (see paragraphs 9-11);

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<sup>1</sup> See [The IFRS Foundation announces membership of the Integrated Reporting and Connectivity Council](#)

<sup>2</sup> See [ISSB Update November 2022](#)

- (c) Timing of reporting (see paragraphs 12-13);
- (d) Strategy and decision-making and climate-related targets (see paragraphs 14-15); and
- (e) IFRS Sustainability Disclosure Taxonomy (see paragraphs 16).

*Current and anticipated financial effects and connected information*

- 9 The ISSB considered feedback received on [Draft] IFRS S1 and [Draft] IFRS S2 relating to the current and anticipated financial effects of sustainability and climate-related risks and opportunities on an entity's financial performance, financial position and cash flows.<sup>3</sup> The ISSB also discussed feedback on the requirements in [Draft] IFRS S1 for disclosing connected information and illustrative examples of disclosures that may arise from the application of these requirements. The ISSB will consider staff recommendations on the proposed requirements in subsequent meetings.

*Comparative information and updated estimates*

- 10 The ISSB discussed the proposed requirement in [Draft] IFRS S1 to disclose comparative information that reflects updated estimates.<sup>4</sup> The ISSB tentatively decided to amend the proposed requirement in paragraph 64 of [Draft] IFRS S1 and decided to limit the requirement to revise comparative information to reflect updated estimates. The requirements in paragraph 64 would now apply to estimates for the previous reporting period disclosed in that previous period, and would not apply to forward-looking estimates disclosed in that previous period.
- 11 The ISSB also tentatively decided to provide illustrative guidance to help an entity apply the requirement. The guidance may include:
- (a) examples of situations in which an entity would be required and would not be required to revise comparative information to reflect updated estimates;
  - (b) examples and explanations of ways to present revised comparative information to reflect updated estimates; and
  - (c) explanations to distinguish three situations in which an entity would be required to revise comparative information:
    - (i) to reflect updated estimates;
    - (ii) to reflect a redefined or replaced metric or target; or
    - (iii) to correct errors.
- 12 In subsequent meetings, the ISSB will consider clarifying the requirement in paragraph 64 of [Draft] IFRS S1 and developing guidance to help entities apply the requirement.

*Timing of reporting*

- 13 The ISSB discussed the proposed requirement in [Draft] IFRS S1 to report its sustainability-related financial disclosures at the same time as its related financial statements and tentatively decided to confirm the proposed requirement.<sup>5</sup> The ISSB also tentatively decided to:
- (a) provide short-term transitional relief that would permit an entity to report its sustainability-related financial disclosures after its financial statements; and

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<sup>3</sup> See ISSB November 2022 [Agenda Paper 3A and 4B Current and anticipated financial effects and connected information](#)

<sup>4</sup> See ISSB November 2022 [Agenda paper 3B Comparative information and updated estimates](#)

<sup>5</sup> See ISSB November 2022 [Agenda Paper 3C Timing of reporting](#)

- (b) provide transitional relief that permits an entity to report its annual sustainability-related financial disclosures at the same time as its H1/Q2 financial reporting.
- 14 In subsequent meetings, the ISSB will continue to redeliberate and consider staff recommendations on:
- (a) the articulation of short-term transitional relief to permit an entity to report its annual sustainability-related financial disclosures at the same time as its H1/Q2 financial reporting; and
  - (b) length of the period the relief will be available after the effective date of [Draft] IFRS S1.

*Strategy and decision-making and climate-related targets*

- 15 The ISSB considered feedback on the proposed requirements in [Draft] IFRS S2 for an entity to disclose information about its strategy and decision-making, including its transition plans towards a lower-carbon economy and its climate-related targets and tentatively decided:<sup>6</sup>
- (a) to confirm and clarify the proposed requirements in paragraphs 13 and 23 of [Draft] IFRS S2 for an entity to disclose how climate-related risks and opportunities affect its:
    - (i) strategy and decision-making;
    - (ii) its plans to transition towards a lower-carbon economy; and
    - (iii) its climate-related targets.
  - (b) to require an entity to disclose the assumptions it makes and the dependencies it identifies in developing its transition plans;
  - (c) not to introduce a requirement for an entity to disclose the implications for its transition plans if its assumptions are not met; and
  - (d) to require an entity to disclose additional information about its climate-related targets such as the scope of the entity's targets, the greenhouse gases and the emission scopes that are covered by the entity's emission targets and which international agreement on climate change the entity is referencing when applying the requirements in paragraph 23 of [Draft] IFRS S2.
- 16 In subsequent meetings, the ISSB will discuss the proposed requirement in [Draft] IFRS S2 for an entity to compare its climate-related targets to the latest international agreement on climate change.

*IFRS Sustainability Disclosure Taxonomy*

- 17 The ISSB considered feedback on the staff draft of a proposed IFRS Sustainability Disclosure Taxonomy based on [Draft] IFRS S1 and [Draft] IFRS S2, which was published for comment in May 2022.<sup>7</sup> The ISSB will consider staff research and feedback as the next step and will seek to develop a proposed IFRS Sustainability Taxonomy for public consultation in 2023.

**December ISSB meeting**

- 18 The ISSB will meet on 13-15 December 2022 in Montreal, Canada and will consider potential projects to include in a Request for Information on Consultation on Agenda Priorities and will also continue redeliberations on its proposals in [Draft] IFRS S1 and S2. The meeting papers for the December meeting have been summarised below.

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<sup>6</sup> See ISSB November 2022 [Agenda Paper 4A Strategy and decision-making and climate-related targets](#)

<sup>7</sup> See ISSB November 2022 [Agenda Paper 7A Summary of feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy](#) and [7B Summary of content in the staff draft of the IFRS Sustainability Disclosure Taxonomy](#)

## ISSB Consultation on Agenda Priorities

19 At its July 2022 and October 2022<sup>8</sup> meetings, the ISSB decided to conduct research and outreach to help create a list of potential projects to include in a Request for Information. The Request for Information aims to gather stakeholder feedback to form the ISSB's initial two-year work plan. Based on the research and outreach, the ISSB staff recommend including in a request for information the following potential projects:<sup>9</sup>

- (a) **Biodiversity, ecosystems and ecosystem services** – a proposal to initiate a research project on biodiversity, including an initial literature review around definitions, categorisation and scope to inform more applied research on related business risks and opportunities and associated disclosures. The ISSB staff noted that while many existing resources on biodiversity exist, there is a need for disclosures, tools and metrics to understand how biodiversity affects an entity's financial position, performance and prospects over the short, medium or long term.
- (b) **Human capital** – a proposal to initiate a research project on human capital, with an initial focus on diversity, equity and inclusion (DEI). Preparers are seeking more clarity on this topic as investors are increasingly demanding information on human capital management.
- (c) **Human rights** – a proposal to initiate a research project on human rights, with an initial focus on labour rights and communities' rights in the value chain. ISSB staff have identified a need to understand the topic of human rights and its link to investor-relevant sustainability-related risks and opportunities.
- (d) **Connectivity in reporting (IASB's Management Commentary and the IFRS Integrated Reporting Framework)** – a proposal to undertake a joint project with the International Accounting Standards Board (IASB) to develop comprehensive disclosure requirements and guidance that enable entities to report connected discussion and analysis of their financial statements and sustainability-related financial disclosures. This project would also aim to provide clarity about how the components of general-purpose financial reports fit together.

The ISSB aims to leverage existing ISSB materials, the CDSB Framework, SASB Standards and other relevant materials for the completion of above-mentioned topics.

### General Sustainability-related Disclosures

20 At its September 2022, October 2022 and November 2022 meetings<sup>10</sup> the ISSB has redeliberated on certain topics from [Draft] IFRS S1. At its December 2022 meeting, the ISSB will be focusing on the concept of value, the identification of sustainability-related risks and opportunities, and making materiality judgements.

#### *Value and sustainability*

21 The ISSB Staff noted that the Integrated Reporting Framework offers an articulation of a broader concept of value that may more accurately and effectively provide context for the specific objective of [Draft] IFRS S1.<sup>11</sup> Consistent with the requirements of the Integrated Reporting Framework, the ISSB Staff recommend clarifying the framing and objective of [Draft] IFRS S1, by describing:

- (a) how the value created, preserved or eroded for an entity (and its providers of financial capital) is inextricably linked to other stakeholders, society and the natural environment;

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<sup>8</sup> See ISSB July 2022 [Agenda Paper 1](#) and [1a](#) and October 2022 [Agenda Paper 2](#)

<sup>9</sup> See ISSB December 2022 [Agenda Paper 2 ISSB Consultation on Agenda Priorities](#)

<sup>10</sup> See ISSB December 2022 [Agenda Paper 3 Cover note and summary of redelibrations](#)

<sup>11</sup> See ISSB December 2022 [Agenda paper Fundamental Concepts](#)

- (b) how an entity relies on these resources and relationships (which some may refer to as ‘capitals’) to create value for itself and providers of financial capital;
- (c) how, in interacting with these resources, an entity creates impacts and dependencies on them, which may positively or negatively affect the resources, and also give rise to sustainability-related risks and opportunities that the entity is exposed to; and
- (d) how sustainability-related risks and opportunities can affect the entity’s performance or prospects, influence its business model or strategy and create or erode the value of the entity or the returns for providers of financial capital over the short, medium and long term.

These concepts also align with the explanations in the IASB’s Exposure Draft on Practice Statement 1 *Management Commentary*.

*Identification of sustainability-related risks and opportunities and assessment of material information*

22 The ISSB staff recommend that proposed [Draft] IFRS S1 Illustrative Guidance be amended and expanded to clarify the identification of sustainability-related risks and opportunities and the assessment of material information by:

- (a) clarifying the distinction and connection between identifying sustainability-related risks and opportunities that an entity needs to provide information about and disclosing material sustainability-related financial information. This would be a two-step process;
- (b) providing further illustration on the identification of sustainability-related risks and opportunities to provide information about the first step in the two-step process by:
  - (i) providing a general description, describing the factors and inputs to consider;
  - (ii) illustrating a process that could be used as an example and emphasising which types of risks and opportunities to provide information about;
- (c) provide further illustration on making materiality judgements in the context of sustainability-related financial disclosures by discussing management judgement and entity-specific circumstances, primary users and the decisions they make, and making judgements in light of uncertain outcomes. This would be the second step in the two-step process.

23 The ISSB staff note that in developing this recommended illustrative guidance, existing language would be leveraged from the IASB’s Exposure Draft on Practice Statement 1 *Management Commentary*, Practice Statement 2 *Making Materiality Judgements* and existing language in [Draft] IFRS S1.

24 The ISSB staff also recommend amending the proposed [Draft] IFRS S1 Illustrative Guidance by drawing on existing market resources for example, the SASB Implementation Primer, to provide further illustration on how to approach the two-step process when business activities span multiple industries. More specifically, the ISSB staff recommends amendments to the ‘Industry-based SASB Standards’ section of the illustrative guidance to add a specific example for how SASB Standards can be used to inform a conglomerate of the identification of sustainability-related risks and opportunities and the selection of metrics and other information.

**Climate-related Disclosures**

25 At its September 2022, October 2022 and November 2022 meetings the ISSB has redeliberated on certain topics from [Draft] IFRS S2.<sup>12</sup> At its December 2022 meeting, the ISSB

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<sup>12</sup> See ISSB December 2022 [Agenda Paper 4 Cover note and summary of redeliberations](#)

will be focusing on the disclosure of greenhouse gas (GHG) emissions and industry-based materials.

*Greenhouse gas (GHG) emissions*

26 The ISSB staff recommend that the ISSB:<sup>13</sup>

- (d) remove the proposed requirement to disclose emissions intensity from proposed paragraph 21(a)(ii) of [Draft] IFRS S2;
- (e) confirm that disclosure of GHG emissions is not explicitly required to be disaggregated by constituent gases;
- (f) add a requirement to use global warming potential (GWP) values based on the latest Intergovernmental Panel on Climate Change (IPCC) assessment;
- (g) add a requirement to disclose information that will help understand the inputs, assumptions and estimation techniques an entity has used to measure its GHG emissions and why these are relevant to its GHG emissions. Based on this, an additional requirement for an entity to also disclose information about changes in the estimation techniques or significant assumptions made during the reporting period has also been recommended; and
- (h) clarify the requirements to disclose Scope 2 GHG emissions based on both a market-based and location-based approach.

*Scope 3 Greenhouse gas emissions*

27 The ISSB staff recommend that the ISSB:<sup>14</sup>

- (a) provide relief for Scope 3 GHG emissions disclosures, which include:
  - (i) a temporary exemption from the proposed requirement to disclose Scope 3 GHG emissions for a minimum of one year after [Draft] IFRS S2 is made effective; and
  - (ii) relief so that an entity can include GHG emissions information that is not aligned with its reporting period. Subject to specific conditions, this relief would apply when GHG emission information is obtained from entities in the value chain with a reporting cycle that is not aligned with that of the preparer.
- (b) introduce a framework for how an entity measures its Scope 3 GHG emissions, with accompanying requirements for an entity to disclose information that enables users of general purpose financial reporting to understand how the entity measured its Scope 3 GHG emissions.
- (c) introduce relief related to an entity's value chain, which specifically includes:
  - (i) non-mandatory implementation guidance to support an entity in assessing which sustainability-related risks and opportunities in the value chain are relevant to users of general purpose financial reporting, using Scope 3 GHG emissions as an example; and
  - (ii) amendments that would require an entity to reassess the 'scope' of its sustainability-related risks and opportunities in its value chain only upon the occurrence of either a significant event or a significant change in circumstances.

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<sup>13</sup> See ISSB December 2022 [Agenda Paper 4A: Greenhouse gas emissions](#)

<sup>14</sup> See ISSB December 2022 [Agenda paper 4B: Scope 3 greenhouse gas emissions](#)

- (d) confirm that no additional relief will be provided regarding the requirement to include information about which of the 15 Scope 3 GHG emissions categories described in the GHG Protocol Value Chain Standard are included in the measurement of Scope 3 GHG emissions.

28 The ISSB staff noted that it would be a decision for jurisdictions and securities regulators to provide safe harbour provisions.

*Appendix B to [Draft] IFRS S2*

29 As a part of the finalisation of proposals in [Draft] IFRS S2 the ISSB staff recommend the ISSB approve:<sup>15</sup>

- (a) responding to stakeholder feedback regarding the international applicability of particular disclosure topics and metrics by amending four metrics in Appendix B of [Draft] IFRS S2 that would enhance the international applicability of the content without fundamentally changing the concepts being measured.
- (b) addressing inconsistencies identified between:
  - (i) **Appendix B of [Draft] IFRS S2 and the related requirements in SASB Standards:** align two metrics in the Apparel, Accessories & Footwear industry with the most recent version of these metrics contained in the SASB Standards.
  - (ii) **multiple instances of a particular metrics used in different industry contexts within Appendix B of [Draft] IFRS S2:** revise Appendix B where unnecessary inconsistencies have been identified between the same metric or similar metrics used in multiple industries within Appendix B.
  - (iii) **Appendix B of [Draft] IFRS S2 and IAS 16 Property, Plant and Equipment (IAS 16):** align two metrics in the Oil & Gas – Exploration & Production industry with IAS 16.
- (c) addressing corrections of scope identified.

*Financed and facilitated emissions*

30 In terms of location and status of the related requirements in [Draft] IFRS S2, the ISSB staff recommend the ISSB:<sup>16</sup>

- (a) confirm and issue financed emissions disclosure requirements for three industries – Asset Management & Custody Activities, Commercial Banks and Insurance (subject to recommended amendments further discussed in ISSB Agenda Paper 4D). These will be a part of the required disclosures in [Draft] IFRS S2 associated with the disclosure of Category 15 Scope 3 GHG emissions. That is, these proposed disclosure requirements for financed emissions would be within the main body of [Draft] IFRS S2;<sup>17</sup> and
- (b) remove the proposed disclosure requirements for facilitated emissions for the Investment Banking & Brokerage industry.

31 Furthermore, the ISSB staff recommend that the ISSB confirm the following proposals:

- (a) use of the term ‘financed emissions’ in the Asset Management & Custody Activities, Commercial Banks and Insurance industries;

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<sup>15</sup> See ISSB December 2022 [Agenda Paper 4C: Appendix B](#)

<sup>16</sup> See ISSB December 2022 [Agenda Paper 4D: Financed and facilitated emissions](#)

<sup>17</sup> With respect to technical content, the ISSB staff recommend that the ISSB confirm the proposed requirements for the disclosure of financed emissions through targeted amendments.

- (b) the requirement to aggregate disclosures at the total assets under management (AUM) level;
  - (c) for the metrics related to the Asset Management & Custody Activities industry;
  - (d) the requirements for an entity to describe its methodology for calculating financed emissions ;
  - (e) the requirements for an entity to disclose the emissions intensity of its financed emissions per unit of physical or economic activity; and
  - (f) the use of the Global Industry Classification System (GICS) as the classification system for industry-based disclosure of financed emissions.
- 32 The ISSB staff recommend that the ISSB confirm but clarify the proposed requirements for undrawn loan commitments (for the Commercial Banks and Insurance industries). Specifically, on requiring separate disclosure of both the financial exposures and emissions related to the commitments and the proposed requirement that the Commercial Banks industry provide disclosure on a gross basis without consideration of risk mitigants.
- 33 The ISSB staff recommend targeted amendments to remove all references to, and requirements to, disaggregate disclosure by ‘carbon-related industries’ and the removal of derivatives from the calculation of financed emissions.
- 34 The ISSB staff recommend monitoring the following topics, which may become areas of future consideration:
- (a) facilitated emissions for the Investment Banking & Brokerage industry;
  - (b) ‘associated’ emissions for the Insurance industry;
  - (c) emerging methodologies for financed emissions calculations for asset classes including derivatives; and
  - (d) guidance/standardisation of emissions-intensity denominators.

### **27th United Nations Conference of the Parties (COP27)**

- 35 At the 2022 United Nations Climate Change Conference (COP27) held on 7-8 November 2022, the ISSB confirmed that it aims to issue final Standards as early as possible in 2023.<sup>18</sup>
- 36 The ISSB also announced further steps it will be taking in the delivery of the architecture needed for a global baseline:
- (a) **Partnership Framework:** The ISSB announced its new Partnership Framework for capacity building<sup>19</sup> which is designed to support preparers, investors and other capital market stakeholders in developing and emerging economies as they prepare to use IFRS Sustainability Disclosure Standards. Membership to the Partnership Framework was announced simultaneously.<sup>20</sup>

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<sup>18</sup> See [ISSB makes key announcements towards the implementation of climate-related disclosure standards in 2023](#)

<sup>19</sup> See [ISSB’s new partnership-framework](#)

<sup>20</sup> The partners include ACCA; Brazilian Institute of Corporate Governance (IBGC); CDP; Deloitte; Environmental Resources Management (ERM); European Accounting Association; EY; Global Reporting Initiative (GRI); Global Steering Group for Impact Investment (GSGII); Group of Latin American Accounting Standard Setters (GLASS); International Corporate Governance Network (ICGN); International Federation of Accountants (IFAC); KPMG; Nigerian Ministry of Finance, Budget and National Planning; Pan African Federation of Accountants; PRI; PwC; UK Foreign, Commonwealth & Development Office (FCDO); UN Department of Economic and Social Affairs (UNDESA); UN Development Programme; UNDP-Financial Centres for Sustainability (FC4S); United Nations

- (b) **International cooperation with jurisdictions:** The ISSB has been working with the European Commission and European Financial Reporting Advisory Group (EFRAG) to agree on, as soon as practicable, a framework for maximising the interoperability of their standards and aligning on key climate disclosures.<sup>21</sup>
- (c) **Continued alignment with key initiatives:** The CPD and ISSB made an announcement that CPD will incorporate [draft] IFRS S2 *Climate-related Disclosure* into its global environmental disclosure platform, which implies that over 17,000 voluntary users of the CPD will now disclose data structured to [draft] IFRS S2 in the 2024 disclosure cycle.<sup>22</sup> Furthermore, this will help meet the Climate Data Steering Committee's objective of launching a Net Zero Public Utility (NZDPU) to work towards the digitisation of core climate data.

### **G20 Bali leaders' declaration**

- 37 The G20 has issued a final declaration following the G20 Leaders meeting held in Bali on 15–16 November 2022. The G20 support globally consistent, comparable and reliable climate-related financial disclosures and is looking forward to the finalisation of the ISSB Standards.<sup>23</sup>

### **Global Reporting Initiative (GRI)**

- 38 Since the Board's November 2022 meeting, the Global Sustainability Standards Board (GSSB)—the GRI's standard-setting body—met on 17 November 2022.<sup>24</sup> The GRI approved the Exposure Draft on GRI 304 *Biodiversity* (2016), which was last revised in 2006. The document will be open for comment from 5 December 2022 until 28 February 2023. The proposals in the Exposure Draft are summarised below:
- (a) **Facilitate reporting impacts across the supply chain** – since the most significant impact on biodiversity for many organisations is in their supply chains; the proposed disclosures require information on the organisation's activities and on its suppliers' activities with the most significant impacts on biodiversity. Proposed disclosures also include a recommendation to provide information on the downstream value chain if available.
  - (b) **Focus on the most significant impacts on biodiversity** – The proposed disclosures focus on reporting information on the most significant impacts on biodiversity and not all impacts, because reporting on all impacts can be challenging, especially when taking their supply chains into account.<sup>25</sup>
  - (c) **Emphasis on providing location-specific information on impacts** – Impacts on biodiversity are site-specific therefore the proposed disclosures require information on impacts for each operational site reported.

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Environment Programme-Finance Initiative (UNEP-FI); UN Sustainable Stock Exchanges Initiative; We Mean Business Coalition; and the World Business Council for Sustainable Development (WBCSD) CFO Network.

<sup>21</sup> See [ISSB at COP27](#).

<sup>22</sup> See [CDP to incorporate ISSB Climate-related Disclosures Standard into global environmental disclosure platform](#).

<sup>23</sup> See [G20 Bali Leader's Declaration](#).

<sup>24</sup> See [GSSB item 1-topic-standard-project-for-biodiversity-exposure-draft](#).

<sup>25</sup> Upcoming biodiversity frameworks, such as the Science Based Targets Network (SBTN) and the Taskforce on Nature-related Financial Disclosures (TNFD), are developing methodologies to assist organizations to identify and prioritize the location of their most significant impacts.

- (d) **New disclosure to report on the direct drivers of biodiversity loss**<sup>26</sup> – information on direct drivers of biodiversity informs which actions an organisation needs to take to manage its impacts on biodiversity.
- (e) **New disclosure to report on the changes to the state of biodiversity** – Proposed requirements require an entity to report the impact of an organisation and its suppliers on ecosystems, and the impact of an organisation on species.
- (f) **New requirements on the impacts on people resulting from an organization’s impacts on biodiversity** – Proposed revisions include:<sup>27</sup>
  - (i) reporting if the organisation operates in proximity to areas of high biodiversity value that are important to indigenous peoples and local communities;
  - (ii) reporting the significant ecosystem services and the beneficiaries of these ecosystem services that are or could be affected by the organisation or its suppliers;
  - (iii) the management of these impacts, including how the organisation addresses the negative impacts of the transition to halt and reverse the loss of biodiversity on workers and local communities; and
  - (iv) reporting how the organisation respects the provisions set out in the [Nagoya Protocol](#) to achieve the fair and equitable sharing of benefits arising from utilizing genetic resources and the associated traditional knowledge.
- (g) **New biodiversity-specific management disclosures** – The proposed disclosures focus on understanding how the organisation applies the mitigation hierarchy to manage its biodiversity-related impacts and also how it aligns its policies and commitments with the upcoming Convention on Biological Diversity’s post-2020 Global Biodiversity Framework.
- (h) **Revised definitions** – The definition of ‘Natural ecosystem conversion’ is proposed for inclusion in the GRI Standards Glossary.

39 The GSSB also approved the Draft GSSB Work Program 2023-2025 for public consultation<sup>28</sup> which will be open for comment until 17 February 2023. The draft work program proposes that all existing GRI Topic Standards be revised or under revision by the end of 2025. The GRI will also be commencing work on a specific climate standard in 2023. The GRI also proposes to continue working on sector-specific topics such as mining, textiles and apparel, food and beverages, banks, insurance and capital markets, utilities, renewable energy, forestry, and metal processing.<sup>29</sup>

40 The GSSB will meet on 15 December and will consider the GRI Topic Standard Project for Climate – Draft project proposal. As a part of the GSSB Work Program 2020-2022, the GSSB will perform a review of climate-related standards, GRI 302 *Energy* (2016), GRI 305 *Emissions* (2016) and GRI 201 *Economic Performance* (2016).<sup>30</sup> The project involves reviewing the current contents of existing climate-related disclosures and will also consider and incorporate new internationally agreed best practices and align with recent developments.<sup>31</sup> The review

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<sup>26</sup> climate change, invasive alien species, land and sea use change, overexploitation of resources, pollution.

<sup>27</sup> These requirements complement the disclosures in GRI 411 *Rights of Indigenous Peoples* (2016) and GRI 413 *Local Communities* (2016).

<sup>28</sup> See [Draft GSSB Work Program 2023-2025](#)

<sup>29</sup> See Agenda Paper 10.1 *Documents open for comment by other organisations* for staff analysis and recommendations on the GRI GSSB’s public consultations.

<sup>30</sup> See GSSB December 2022 [Item 03 GRI Topic Standard Project for Climate - Draft project proposal](#)

<sup>31</sup> For example, the UN Sustainable Development Goals (SDGs) where Climate Change is a key theme in the UN’s 2030 Agenda for Sustainable Development.

of the climate-related disclosures will also aim to align with other climate-related reporting standards such as ISSB's [Draft] IFRS S2 and the European Sustainability Reporting Standards (ESRS).

- 41 The revised climate-related disclosures will enable an organisation to disclose publicly:
- (a) its most significant impacts on climate change and how these impacts are managed. This will enhance transparency and increase accountability; and
  - (b) its broadened climate-related impact beyond energy and emissions to potentially include climate resilience, adaptation, and transition.

The project is expected to commence in February 2023.

- 42 At its September meeting, the GSSB approved the GRI Topic Standards Project for Labour-related Standards - Project Proposal. At the December meeting, the GSSB will approve the proposed membership of the selected experts of the Advisory Group.<sup>32</sup>

### **International Public Sector Accounting Standards Board**

- 43 The IPSASB will meet on 6-9 December 2022 and review the responses<sup>33</sup> for the Consultation Paper on *Advancing Public Sector Sustainability Reporting*<sup>34</sup> issued in May 2022. While there was strong, broad support for the IPSASB to proceed in developing public sector specific sustainability reporting guidance, respondents also raised the following key issues for the IPSASB to consider:

- (a) many respondents supported leveraging IFRS Sustainability Disclosure Standards and the work of the ISSB. However, all respondents also emphasised the investor-focused nature of the ISSB's work. Some suggested that GRI could be used as a baseline instead;
- (b) some respondents questioned the authority of the guidance (i.e. whether such guidance should be mandatory or non-mandatory);
- (c) there were concerns about the potential for negative impacts of climate-focused reporting on emerging and developing nations;
- (d) many respondents requested IPSASB to define the scope, objectives, primary users, and key definitions such as materiality and level of government;
- (e) some respondents also expressed the need for a conceptual framework specific to sustainability reporting; and
- (f) IPSASB will need to build sustainability expertise and capabilities.

- 44 The IPSASB staff recommendation to the IPSASB is to further consider the feedback received and key issues identified by stakeholders in 2023 before the IPSASB takes any decision to proceed.

### **Taskforce on Nature-related Financial Disclosures (TNFD)**

- 45 The TNFD released the third iteration of its beta framework<sup>35</sup> for nature-related risk with significant developments such as:
- (a) expansion of the draft disclosure recommendations to incorporate dependencies and impacts on nature alongside risks and opportunities to the organisation;

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<sup>32</sup> See GSSB December 2022 meeting [Item 04 - GRI Topic Standard project for Labor – Proposed Expert Members for the Advisory Group](#)

<sup>33</sup> See IPSASB December 2022 [Agenda Item 7 Sustainability Reporting](#)

<sup>34</sup> See [IPSASB Consultation Paper on Advancing Public Sector Sustainability Reporting](#)

<sup>35</sup> See [TNFD releases third iteration of beta framework](#)

- (b) proposed new disclosure recommendations related to supply chain traceability; the quality of stakeholders, including rights-holders, engagement; and the alignment of an organisation's climate and nature targets;
- (c) an adaptive approach to the application of TNFD's disclosure recommendations to accommodate the varying materiality and reporting preferences and needs of report preparers; and to support early action by companies and financial institutions and encourage increasing disclosure ambition over time;
- (d) additional guidance on risk and opportunity assessment and the metrics proposed to support that analysis;
- (e) enhanced practical usability of its proposed risk and opportunity assessment approach;
- (f) draft guidance on target-setting developed with the Science Based Targets Network (SBTN) and draft disclosure guidance for financial institutions; and
- (g) two new discussion papers – on scenarios; and societal dimensions of nature-related risk management and disclosure.

## Update on selected jurisdictional sustainability reporting perspectives

### United States of America (US)

- 46 In October, the US Securities and Exchange Commission (US SEC) reopened the public comment periods for their proposals on climate disclosure requirements, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, due to a technological error that resulted in a number of public comments submitted through the Commission's internet comment form not being received by the Commission. Consequently, the US SEC proposals will be delayed. The US SEC has not disclosed a revised timeline at this stage.<sup>36</sup>
- 47 The US White House Council on Environmental Quality will now require major federal suppliers to disclose their environmental impacts through CDP (formerly the Climate Disclosure Project).<sup>37</sup> Under the proposed Federal Supplier Climate Risks and Resilience Rule, major suppliers to the U.S. federal government will be required to publicly disclose greenhouse gas emissions (GHG) and climate-related financial risk. It will also ask these companies to take tangible action by setting science-based GHG reduction targets.<sup>38</sup>

### Nigeria

- 48 The Financial Reporting Council of Nigeria announced that they will move to adopt ISSB's IFRS Sustainability Disclosure Standards in Nigeria when they are issued in 2023.<sup>39</sup>

### European Union (EU)

- 49 In November 2022, European Financial Reporting Advisory Group (EFRAG) announced the appointment of Patrick de Cambourg as EFRAG Sustainability Reporting Board (SRB) Chair.<sup>40</sup> The EFRAG Sustainability Reporting Board is now at its full composition.<sup>41</sup>
- 50 In November, the EFRAG also submitted its first set of draft European Sustainability Reporting Standards (ESRS) to the European Commission in its role as technical adviser to the

<sup>36</sup> See [SEC Climate Rules Pushed Back Amid Bureaucratic, Legal Woes \(bloomberglaw.com\)](#)

<sup>37</sup> The CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. See [CDP website](#).

<sup>38</sup> See [Ambitious corporate climate action - Science Based Targets](#)

<sup>39</sup> See [Financial Reporting Council of Nigeria to adopt IFRS Sustainability Disclosure Standards](#)

<sup>40</sup> See [EFRAG welcomes new member organisation, chairs of our reporting boards and new members of the EFRAG SRB](#)

<sup>41</sup> See [EFRAG Sustainability Reporting Board](#)

European Commission.<sup>42</sup> The final standards will be adopted as delegated acts in June 2023 after the European Commission consults with EU bodies and member states. This first set of 12 draft ESRS is composed of:

- (a) Cross-cutting standards:
  - (i) Draft ESRS 1 *General requirements*
  - (ii) Draft ESRS 2 *General disclosures*
- (b) Environment:
  - (i) Draft ESRS E1 *Climate change*
  - (ii) Draft ESRS E2 *Pollution*
  - (iii) Draft ESRS E3 *Water and marine resources*
  - (iv) Draft ESRS E4 *Biodiversity and ecosystems*
  - (v) Draft ESRS E5 *Resources and circular economy*
- (c) Social:
  - (i) Draft ESRS S1 *Own workforce*
  - (ii) Draft ESRS S2 *Workers in the value chain*
  - (iii) Draft ESRS S3 *Affected communities*
  - (iv) Draft ESRS S4 *Customers and end-users*
- (d) Governance:
  - (i) Draft ESRS G1 *Business conduct*

51 The reporting requirements will adopt a phased-in approach, with the first entities applying the standards in 2024, for reports published in 2025. The listed SMEs will report from 2026, with a further possibility of voluntary opt-out until 2028.

52 The GRI has been actively involved in the development of the ESRS, with the work focusing on ensuring optimal interoperability between the global GRI Standards, focused on impact materiality, and the ESRS focused on double materiality. Since the GRI Standards are already used by most large companies in the EU, these companies are well prepared for the new ESRS.<sup>43</sup>

### **Switzerland**

53 According to the new legislation passed by the Swiss Government's Federal Council, large Swiss companies and financial institutions will be required to publicly disclose information on their climate-related risks, impacts and plans. These public companies, banks and insurance firms will be required to provide reporting based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).<sup>44</sup>

### **New Zealand (NZ)**

54 The final Aotearoa NZ Climate Standards are expected to be issued by the end of the year.

55 The NZ External Reporting Board (NZ XRB) has commenced a sustainability reporting project that aims to establish a voluntary, non-financial reporting framework from an Aotearoa NZ perspective that can be applied by all entities.<sup>45</sup> The NZ XRB is developing this framework as,

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<sup>42</sup> See [EFRAG Delivers the First Set of Draft ESRS to the European Commission](#)

<sup>43</sup> See [Interoperability between ESRS and GRI Standards good news for reporters](#)

<sup>44</sup> See [Switzerland passes law to require mandatory climate reporting](#)

<sup>45</sup> See [Sustainability Reporting » XRB](#)

in their view, traditional financial reporting frameworks limit the ability for entities to demonstrate value and impact beyond monetary perspectives. The ability for entities to demonstrate the impact they are having on current and future generations and convey this in a way that is unique to Aotearoa NZ is also hindered by traditional financial reporting frameworks.

- 56 The project webpage explains that there are no preconceived ideas of what this framework will look like in Aotearoa NZ. Because many Māori organisations already apply an intergenerational lens to their strategy and operations, development of the framework will initially be informed through a series of wānanga with Māori reporting entities. The mahi will be highly explorative and collaborative and will ultimately include input from a range of Māori and non-Māori reporting entities and stakeholders across Aotearoa NZ. Given the size and complexity of this project, the NZ XRB anticipates it will be at least a two-stage approach:
- (a) Stage 1—the NZ XRB will seek to establish a due process to develop a draft principles-based framework drawing on insights from Māori reporting entities to inform the development of the framework.
  - (b) Stage 2—will take the draft framework as a base and then determine whether any amendments or further guidance are needed for application to other NZ reporting entities in different sectors such as the for-profit, not-for-profit, or public sectors.
- 57 The NZ XRB aims to develop the framework for initial testing in mid-2023.

### Question to Board members

#### Question to Board members

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