



Project:	Sustainability Reporting	Meeting	AASB November 2022 (M191)
Topic:	Cover memo	Agenda Item:	3.1
		Date:	25 October 2022
Contact(s):	Siobhan Hammond shammond@asb.gov.au Nikole Gyles ngyles@asb.gov.au	Project Priority:	High
		Decision-Making:	None
		Project Status:	Consider feedback from outreach activities

Objective

- The objective of this meeting is to:
 - provide an overview of the feedback received on [ED 321 Request for Comment on ISSB \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and \[Draft\] IFRS S2 Climate-related Disclosures](#); and
 - provide an overview of recent international and jurisdictional sustainability reporting developments.
- The papers for this Board meeting are for information purposes only and do not ask the Board to make any decisions.

Background

- At its February (M185) and April (M186) 2022 meetings, the Board discussed the potential scope of the Sustainability Reporting project. The Board made the following preliminary decisions to assist staff in developing the draft project plan:¹
 - the initial focus of the draft project plan should be to develop a separate suite of sustainability reporting standards alongside the existing AASB Standards and that, while climate will likely be the first sustainability reporting matter to be addressed, the Board intends to address other sustainability reporting matters at a later stage;
 - the work of the International Sustainability Standards Board (ISSB) should be used as the foundation, with modification for Australian matters and requirements. The Board further clarified that the focus for the project should be to prioritise international alignment and only amend (or add to) international sustainability reporting requirements where it is necessary to do so to meet the needs of Australian stakeholders;
 - the initial scope of the project relates to for-profit entities, with the draft project plan to address how to respond to feedback from for-profit entities of all sizes, not only larger listed entities. The Board decided to consider the not-for-profit sector at a later stage and asked staff to continue to engage with not-for-profit private and public sector entities in considering the ongoing project development;

¹ See the [Sustainability Reporting Project Summary](#).

- (d) apply its existing [Due Process Framework for Setting Standards](#) to preliminary work on the Sustainability Reporting project; and
 - (e) consistent with the scope of the ISSB’s work, the proposed scope of the Sustainability Reporting project should focus on developing reporting requirements for sustainability-related financial information and the connectivity between broader sustainability reporting (for example, as addressed by the Global Reporting Initiative (GRI)) and the financial statements.
- 4 In April 2022, the Board published [ED 321 Request for Comment on ISSB \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and \[Draft\] IFRS S2 Climate-related Disclosures](#). The comment period closed 15 July 2022. ED 321 provided detail on, and asked stakeholders about, the Australian context for the ISSB’s Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2. The AASB and AUASB submitted [a joint response to the ISSB Exposure Drafts on \[Draft\] IFRS S1 and \[Draft\] IFRS S2](#) in July 2022.
- 5 In May 2022 (M187), the Board considered a draft project plan for the project, which incorporated all of the Board’s previous preliminary decisions and feedback (see Appendix A). The Board made the preliminary decision to implement the draft Sustainability Reporting project plan.²

Structure of Board papers

- 6 This meeting is structured as follows:
- (a) **Agenda Paper 3.2.1 ED 321 Feedback summary—overview**—this paper provides an overview of the staff approach to summarising all feedback received on ED 321 and the ISSB’s Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2;
 - (b) **Agenda Paper 3.2.2 ED 321 Feedback summary—ED 321 Request for Comment on ISSB [Draft] IFRS S1 and [Draft] IFRS S2 (Australian specific questions)**—this paper provides a summary of the feedback received in response to the specific matters for comment in ED 321;
 - (c) **Agenda Paper 3.2.3 ED 321 Feedback summary—ISSB Exposure Draft on [Draft] IFRS S1**—this paper provides a summary of the feedback received on ISSB [Draft] IFRS S1 in response to ED 321;
 - (d) **Agenda Paper 3.2.4 ED 321 Feedback summary—ISSB Exposure Draft on [Draft] IFRS S2**—this paper provides a summary of the feedback received on ISSB [Draft] IFRS S2 received in response to ED 321; and
 - (e) **Agenda Paper 3.3 Update on international and jurisdictional perspectives**—this paper provides an overview of international and jurisdictional developments in sustainability reporting since the Board’s last meeting in September 2022 (M190).

Next steps

- 7 Staff plan to bring an analysis of the feedback and recommendations on next steps to a future Board meeting.

² See May 2022 (M187) [Agenda Paper 6.2 \[Draft\] Sustainability Reporting project plan](#).

Appendix A— [Draft] Sustainability Reporting plan (May 2022)

Executive summary

Overall objective of the project

- A1. The objective of the sustainability reporting project is to:
- (a) develop reporting requirements for sustainability-related financial information³ for general purpose financial reporting to meet the evolving information needs of primary users;⁴ and
 - (b) improve the consistency, completeness, comparability and verifiability of sustainability-related financial disclosures⁵.
- A2. Consistent with the Board’s preliminary discussions in February 2022 (see paragraph 3), the project will initially focus on developing sustainability-related financial reporting requirements for the for-profit sector. At a later stage, the project will consider such requirements for not-for-profit (NFP) private and public sector entities.
- A3. This focus is consistent with the Financial Reporting Council’s (FRC) strategic direction to the Board and the Board’s strategic objectives, which state that the Board should:
- (a) maintain compliance with IFRS Standards for publicly accountable entities;⁶ and
 - (b) use IFRS Standards as a base for determining the reporting requirements for all other entities, modified as appropriate, in accordance with the Board’s [Due Process Framework for Setting Standards](#).⁷
- A4. To meet those objectives (both the project objectives and, more broadly, the Board’s strategic objectives), this project aims to:
- (a) develop a separate suite of standards that specifically address sustainability-related financial disclosures made as part of general purpose financial reporting; and
 - (b) prioritise international alignment by using the work of the IFRS Foundation’s ISSB as a foundation, with modification for Australian matters and requirements when necessary.

Key matters this project aims to address

- A5. In 2019 the IFRS Foundation Trustees identified the global consistency of the reporting of sustainability-related information as a critical matter for consideration in its five-year strategy. Following a period of international engagement with stakeholders, in November 2021, the IFRS Foundation announced the establishment of the ISSB to help meet the

³ *Sustainability-related financial information* is defined in Appendix A of [Exposure Draft on \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) (Exposure Draft on [Draft] IFRS S1) as being information that gives insight into sustainability-related risks and opportunities that affect enterprise value, providing a sufficient basis for users of general purpose financial reporting to assess the resources and relationships on which an entity’s business model and strategy for sustaining and developing that model depend.

⁴ Note that international alignment is considered to be a priority in meeting the evolving needs of primary users of general purpose financial reporting.

⁵ *Sustainability-related financial disclosures* is defined in Appendix A of [Exposure Draft on \[Draft\] IFRS S1](#) as being disclosures about sustainability-related risks and opportunities that are useful to users of general purpose financial reporting when they assess an entity’s enterprise value, including information about its governance, strategy and risk management, and related metrics and targets.

⁶ Staff note that IFRS Standards now include both accounting and sustainability-related financial reporting standards.

⁷ As far as is practicable, staff will also look to the guidance in the Board’s [For-Profit Entity Standard-Setting Framework](#).

demand for transparent, consistent and comparable reporting of sustainability-related information. The intention is for the ISSB to deliver a global baseline of disclosure standards for sustainability-related information that will provide investors and other capital market participants with decision-useful information about entities' sustainability-related risks and opportunities to help them make informed decisions.⁸

A6. There is currently no national approach to sustainability reporting in Australia. This has led to the development of a diverse range of legislation and guidance by individual Australian government and industry bodies about a wide range of sustainability reporting topics. This project will aim to address the following:

- (a) developing a national approach to sustainability-related financial reporting which prioritises international alignment and addresses sustainability-related topics that stakeholders identify as being material; and
- (b) improving the consistency and comparability of sustainability-related financial disclosures made as part of general purpose financial reporting.

A7. This project will be undertaken over several stages in the short-to-medium term:

Stage 1.1 of this project will, based on the ongoing work of the ISSB, seek to develop sustainability-related financial reporting requirements for for-profit sector entities for sustainability and climate-related financial information. There may be a need for amendments or modifications for Australian matters arising from:

- (a) outcomes of research (see paragraph A43);
- (b) comparison of the work of the ISSB with other sustainability reporting standards and frameworks and sustainability-related financial reporting requirements being developed and introduced in other jurisdictions (for example, New Zealand); and
- (c) outreach with Australian stakeholders (see paragraphs A11 and A42).

In **Stage 1.2** of this project, the draft project plan will be reconsidered, and amendments made based on the outcomes of **Stage 1.1** and ongoing global developments. The success of the ISSB depends on the success of its two initial standards addressing sustainability and climate-related financial information. If international alignment is not achieved for these two standards, or it is concluded that the two standards are not in the best interests of the Australian economy, the Board may decide to take a different approach to sustainability-related financial reporting going forward.

Stage 1.3 of this project will, based on the outcomes of previous stages, seek to contribute to the future work of the ISSB through an anticipated ISSB agenda consultation which will determine which sustainability-related topics should be addressed on completion of the standards on general sustainability and climate-related financial topics. Consistent with the ISSB's planned approach, this stage will also consider any potential changes to the Due Process Framework (or developing a specific due process framework) based on the outcomes of previous stages.

A8. This project will be undertaken over several stages in the long term:

Stage 2.1 of this project will initially focus on developing sustainability-related financial reporting requirements for for-profit sector entities.

Stage 2.2 of this project will, based on the outcomes of **Stage 2.1** (and similar to the approach for AASB Accounting Standards), seek to develop sustainability-related financial reporting requirements for different types of entities within the for-profit sector (for

⁸ See the IFRS Foundation Trustees' [Feedback Statement on the Consultation Paper on Sustainability Reporting](#).

example, through considering modifications or a tiered reporting regime intended to reduce the burden of reporting for smaller for-profit entities).

Stage 2.3 of this project will explore developing sustainability-related financial reporting requirements for NFP sector entities.

- A9. The stages outlined in paragraphs A7 and A8 are not independent or cyclical. That is, there will potentially be a significant degree of overlap between stages and as a result, work described in later stages may be considered as part of the work in earlier stages of the project. For example, staff will continue to engage in outreach and research with NFP sector entities throughout all stages of the project despite the draft project plan indicating that specific requirements for NFP sector entities will likely only be considered after requirements for for-profit sector entities have been developed.
- A10. The following draft project plan focuses on the stages in the short-to-medium term as described in paragraph A7.

Key stakeholders

- A11. Sustainability-related financial reporting will impact a broad range of stakeholders due to the nature of the topics which could be addressed. Furthermore, staff anticipate that stakeholders may change depending on the sustainability-related topic being addressed.

Impacted stakeholders – sustainability-related financial disclosures (general)	Why?
Primary users of general purpose financial reporting—existing and potential investors, lenders and other creditors	Users
Australian Securities and Investments Commission (ASIC)	Regulator of for-profit sector entities
Australian Prudential Regulation Authority (APRA)	Supervisor of relevant banking, insurance and superannuation institutions.
Professional services firms and professional bodies (including non-accounting professional services firms and bodies)	Auditors, Consultants & Advisors
For-profit sector entities	Preparers
Impacted stakeholders – climate-related disclosures	Why?
Primary users of general purpose financial reporting—existing and potential investors, lenders and other creditors	Users
ASIC	Regulator of for-profit sector entities
APRA	Supervisor of relevant banking, insurance and superannuation institutions.
Clean Energy Regulator	Regulator of the National Greenhouse and Energy Reporting Act 2007
Bureau of Meteorology	Regulator of the Water Act 2007

Impacted stakeholders – climate-related disclosures	Why?
Professional services firms and professional bodies (including non-accounting professional services firms and bodies)	Auditors, Consultants & Advisors
For-profit sector entities	Preparers
Other users—for example, Australian Bureau of Statistics, NFP public sector government entities, etc.	Users (not identified as primary users)

Objectives and project outcomes

Objectives and outcomes of the project

A12. The objective of this project is to:

- (a) help preparers of general purpose financial reports meet the evolving information needs of primary users by developing reporting requirements for sustainability-related financial information; and
- (b) improve the consistency, completeness, comparability and verifiability of sustainability-related financial disclosures.

A13. Subject to future Board decisions, global developments and feedback from stakeholders, the project will occur in three stages as outlined in paragraph A7.

Expected benefits

A14. Staff consider that the expected benefits of this project will be:

- (a) improved usefulness of general purpose financial reports through better meeting the information needs of primary users of general purpose financial reporting; and
- (b) improved consistency, completeness, comparability and verifiability of sustainability-related financial information disclosed as part of general purpose financial reporting.

A15. The expected benefits are consistent with the guiding principles in the IFRS/AASB *Conceptual Framework for Financial Reporting*.

Priority of the Sustainability Reporting project

A16. Staff consider the priority and importance of this project to be **high** as a result of:

- (a) the rapid pace of related global developments in sustainability-related financial reporting;⁹ and
- (b) feedback from respondents to [ITC 46 AASB Agenda Consultation 2022-2026](#):¹⁰
 - (i) all respondents commented that sustainability reporting is important to them;
 - (ii) almost all respondents were supportive of the Board expanding its scope of activities to include sustainability reporting, with most commenting that the Sustainability Reporting project should be considered a high priority for the Board; and
 - (iii) most respondents observed an increase in demand from a wide range of stakeholders for more transparent, consistent and comparable sustainability-

⁹ See Agenda Paper 3.1 *AASB Agenda Consultation 2022-2026—Cover memo* and February 2022 (M185) Agenda Paper [3.2 Background to global sustainability reporting](#).

¹⁰ See Agenda Paper 3.1 and February 2022 (M185) Agenda Paper [3.4 Feedback summary—ITC 46 AASB Agenda Consultation 2022-2026](#).

related information, with some highlighting the potential economic consequences should Australia not meet that global demand.

AASB Strategic objectives

A17. This project supports the [AASB's Strategic Objectives](#) in the following ways:

#	AASB Strategic Objectives	Link to this project
1	Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For 'publicly accountable' entities maintain IFRS compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance.	Directly linked—this project seeks to develop a new suite of standards for sustainability-related financial reporting topics for disclosure in general purpose financial reports. This will improve the usefulness of financial reporting through improved transparency, consistency and comparability of sustainability-related financial information and help preparers better meet the evolving information needs of primary users.
2	With the Auditing and Assurance Standards Board (AUASB), play a leading role in reshaping the Australian external reporting framework by working with regulators to develop objective criteria on: <ul style="list-style-type: none"> • who prepares external reports (including financial reports) • the nature and extent of assurance required on these external reports. 	Directly linked—this project seeks to reshape the Australian external reporting framework through the development of a suite of standards for sustainability-related financial reporting. Throughout this project, it is the staff's intention to work with the AUASB and regulators in order to meet this strategic objective.
3	Actively influence IASB, IPSASB standards and other international accounting and external reporting standards and guidance by demonstrating thought leadership and enhancing key international relationships.	Indirectly linked—this project can inform and influence the work of the ISSB and other national standard-setters seeking to address sustainability-related financial reporting in their jurisdictions. Where appropriate to do so, this project will seek to contribute directly to the work of the ISSB, IPSASB and other relevant standard-setters and framework providers.
4	Attain significant levels of key stakeholder engagement through collaboration, partnership and outreach.	Directly linked—undertaking this project will require significant collaboration with a broad range of stakeholders—both accounting and non-accounting (see paragraph A11).
5	Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.	Directly linked—one of the objectives of this project is to help preparers meet the evolving information needs of primary users of general purpose financial reporting.
6	Monitor and respond to, or lead on, emerging issues impacting the development	Directly linked—this project will directly address the emerging issues

#	AASB Strategic Objectives	Link to this project
	of accounting and external reporting standards and guidance, including changing technologies.	related to the reporting of sustainability-related financial information in general purpose financial reports through the development of a separate suite of reporting standards. See also AASB Strategic Objective #1.
7	Develop guidance and education initiatives, or promote development by others, to enhance consistent application of accounting and external reporting standards and guidance.	Directly linked—one of the objectives of this project is to improve the consistency, completeness, comparability and verifiability of sustainability-related financial disclosures made in general purpose financial reports. See also AASB Strategic Objectives #1 and #6.

Cross-cutting projects

- A18. Staff note there are several existing and potential cross-cutting projects relating to sustainability-related financial reporting:
- (a) Service Performance Reporting project—The Board initiated the Service Performance Reporting project in 2009 in response to feedback received about the needs of NFP private entity financial statement users and, in August 2015, published [ED 270 Reporting Service Performance Information](#). Feedback received was discussed at the Board’s December 2016 meeting.¹¹ The Board noted that feedback generally agreed with the proposed objectives and principles of ED 270. However, the Board noted some concerns such as the overlaps between ED 270, the reporting frameworks and government reporting requirements. To further understand related user needs, staff conducted and published the [AASB Research Report 14: Literature Review: Service Performance Reporting for Not-for-profits](#) in February 2020. The findings of the Research Report provide international evidence that stakeholders prefer that NFPs report service performance information (such as output-based or outcome-based effectiveness) rather than financial statement information.

This project was temporarily withdrawn from the work program because the Board intends to prioritise the NFP reporting framework. Consequently, at its February 2021 meeting, the Board tentatively decided not to include any service performance reporting proposals in the NFP reporting framework consultation document, subject to clear communication of how it would address this topic and feedback from relevant regulators on the interaction of this decision with their priorities. The Board reiterated the importance of service performance reporting information to users of the financial statements of NFP private sector entities. Still, the Board acknowledged that complexities in developing proposals in this regard might disproportionately delay progress on the differential reporting framework.¹²

As noted in Agenda Paper 3.1 *AASB Agenda Consultation 2022-2026—Cover memo*, as part of ITC 46, stakeholders were asked if this project should continue to be considered by the Board. Feedback to ITC 46 indicated that many respondents view

¹¹ See December 2016 Agenda Papers [13.0 Cover Memo](#) and [13.1 Comments on ED 270](#).

¹² See February 2021 (M179) [Action Alert](#).

service performance reporting as similar to sustainability reporting for for-profit sector entities. Consequently, some respondents to ITC 46 suggested that service performance reporting be addressed as part of the Sustainability Reporting project. The Board will consider whether to add the project to its work program at a future Board meeting.

- (b) Tax Transparency Code—This project aims to develop guidance to assist businesses in meeting the Tax Transparency Code (TTC) recommendations for the suggested tax reconciliation and calculation of the TTC Effective Tax Rate (ETR).

Some respondents to ITC 46 highlighted tax transparency disclosures (such as those suggested by the TTC) as a sustainability-related topic that could be addressed as part of the Sustainability Reporting project.

- (c) Extractive Activities project—the scope of the project is to (i) ascertain whether disclosure requirements in IFRS 6 *Exploration for and Evaluation of Mineral Resources* need to be amended to better meet the information needs of primary users of general purpose financial statements; and (ii) to remove the temporary status of the Standard. Given the nature of activities accounted for applying IFRS 6, there is a possibility that disclosure requirements could be amended to include sustainability-related financial information which directly affects an entity's financial statements (for example, sustainability-related financial reporting matters related to nature¹³ and the disclosure of reserve and resource quantities).

- (d) International Accounting Standards Board (IASB) Third Agenda Consultation¹⁴—several projects related to sustainability-related financial reporting matters were highlighted by respondents to the IASB's [Request for Information Third Agenda Consultation](#). The following projects relate to sustainability-related financial reporting topics for which respondents considered to be of a high priority:^{15, 16}

- (i) Climate-related risks—respondents to the IASB's Third Agenda Consultation commented that information on climate-related risks is not only a matter for sustainability reporting but can also have a material effect on recognition, measurement and disclosure in the financial statements. Respondents also observed that connectivity between financial and sustainability reporting would need to be considered if entities are to provide a comprehensive picture. At its April 2022 meeting, the IASB tentatively decided to add this project to its work plan.
- (ii) Pollutant pricing mechanisms—respondents to the IASB's Third Agenda Consultation commented that there are new pollutant pricing mechanisms and an increasing number of companies using them to meet their climate commitments which can have a material effect on financial statements. At its April 2022 meeting, the IASB tentatively decided to add this project to a reserve list of projects that could be added to the work plan only if additional capacity becomes available.

¹³ Defined by the Taskforce on Nature-related Financial Disclosures as Land, Ocean, Freshwater and Atmosphere (see <https://tnfd.global/wp-content/uploads/2022/03/220321-TNFD-framework-beta-v0.1-Exec-Summary-FINAL.pdf>).

¹⁴ In March 2021 the IASB published the [Request for Information Third Agenda Consultation](#).

¹⁵ See IASB November 2021 Agenda Paper [24D Third Agenda Consultation: Feedback summary—Potential projects \(part 1\)](#).

¹⁶ See [IFRS - IASB Update April 2022](#).

Depending on how such sustainability-related topics will be addressed by the IASB (or jointly by the IASB and ISSB), the work of the Sustainability Reporting project could be affected.

- (e) IFRS Foundation’s International Financial Reporting Standards Interpretations Committee (Interpretations Committee)—historically, the Interpretations Committee has considered several sustainability-related financial reporting topics. For example:
- (i) [Negative Low Emission Vehicle Credits—IAS 37 Provisions, Contingent Liabilities and Contingent Assets](#) (open for comment until 12 April 2022)—the Interpretations Committee tentatively concluded that, the principles and requirements in IFRS Accounting Standards provide an adequate basis for an entity to determine whether, in the specific facts and circumstances described in the submission, an entity has an obligation that meets the definition of a liability in IAS 37; and
 - (ii) [Economic Benefits from Use of a Windfarm—IFRS 16 Leases](#)—the Interpretations Committee concluded that, given the specific facts and circumstances provided by the submission, the retailer does not have the right to obtain substantially all the economic benefits from use of the windfarm and therefore the agreement does not contain a lease.

Staff expect that, as sustainability-related financial reporting becomes more prominent as a result of the work of the ISSB and sustainability-related topics are considered jointly by both the IASB and ISSB, the Interpretations Committee will receive further submissions on sustainability-related topics which could affect the Sustainability Reporting project.

Project team and responsibilities

Name	Role	Responsibility
Nikole Gyles	Technical Director	<ul style="list-style-type: none"> • Strategic and technical advice • Review and project direction • Content expert • Outreach with key/strategic stakeholders
Siobhan Hammond	Project Lead	<ul style="list-style-type: none"> • Planning and resource oversight • Technical drafting and recommendations (for example, submissions to other standard-setting bodies) • Content expert • Project planning and management • Outreach with all stakeholders
To be determined	Project managers/ Assistant project managers	<ul style="list-style-type: none"> • Assisting with technical drafting and/or recommendations (for example, submissions to other standard-setting bodies) • Assisting with all stakeholder outreach

Specialist knowledge and how to source it

- A19. Sustainability covers a broad range of topics in addition to climate, such as:
- (a) indigenous and human rights;
 - (b) modern slavery;
 - (c) biodiversity;
 - (d) data privacy and management; and
 - (e) environment and nature.
- A20. It is likely that sustainability-related topics will be addressed by developing individual standards. Given the nature of those sustainability-related topics, the stakeholders impacted will likely change based on what topic is being addressed—for example, climate and emissions reporting specialists will not have the relevant expertise to prepare disclosures on indigenous and human rights.
- A21. Subject to available resources, staff recommend that, where appropriate, the expertise of external consultants or secondees be sought to assist with the development of sustainability-related financial reporting requirements.
- Sustainability Reporting Project Advisory Panel*
- A22. The Sustainability Reporting Project Advisory Panel¹⁷ is an expert panel jointly formed by the AASB and AUASB. The Panel is an informal consultative group only, not a formal decision-making group. Panel members act in an advisory capacity, providing specific and industry technical expertise and the perspective(s) of the Panel member and their organisation.

Assumptions, risks and other considerations

Assumptions and constraints

- A23. Assumptions made in this draft project plan are:
- (a) the Board will continue to be the government body responsible for developing reporting requirements for sustainability-related financial information;
 - (b) there will be sufficient resources to complete this project, including funding and external resources potentially needed for current and future stages of the project; and
 - (c) the ISSB will establish itself and successfully position itself as the global leader in developing reporting requirements for sustainability-related financial information.
- A24. Constraints on this project include:
- (a) resourcing—given the specific nature of some sustainability-related topics (for example, human rights), securing relevant expertise during the development of related reporting requirements will likely be challenging given that, as highlighted by many respondents to ITC 46, there is currently a lack of relevant expertise in the Australian market;¹⁸ and
 - (b) timing—given the rapid pace of global developments, ISSB work may not be exposed for public consultation for long periods. That is, comment periods on documents open for public consultation will be shorter than usual and could affect the quality of feedback staff can obtain.

¹⁷ For additional details refer to: <https://www.aasb.gov.au/current-projects/advisory-committees/sustainability-reporting/>

¹⁸ See February 2022 (M185) Agenda Paper [3.4](#).

Key project delivery risks

Risk	Risk assessment	Potential impacts	Mitigation strategy	Residual risk
Low engagement during outreach as a result of stakeholder burnout (i.e., due to the start-up phase of the ISSB's work, staff expect outreach will be needed more than usual for a range of publications such as exposure drafts, discussion papers and other consultation papers)	High	Issues may not be identified in a timely manner, causing delays	Build on and continue to manage existing sustainability reporting stakeholder database and develop suitable communication strategies based on the outreach being sought	Moderate
Low engagement during outreach as a result of not having access to the most appropriate stakeholders	High	Issues may not be identified in a timely manner, causing delays The quality of feedback may be compromised by irrelevant feedback	Build on and continue to manage existing sustainability reporting stakeholder database Leverage off relationships with existing sustainability reporting stakeholders and identify and build relationships with appropriate stakeholders	Low
Staff resourcing	High	Delays caused by lack of staff resources	Securing sufficient staff with the relevant level of expertise (see paragraphs A19-A22)	Moderate
Staff resourcing changeover	Low	Delays caused by handover activities	Detailed project planning and documentation for managed handovers	Low
Unexpected feedback/issues causing delay	High	More resourcing and/or time may be required to resolve and consult on solutions to	Timely outreach on key proposals and publications to identify and manage any issues early	Moderate

Risk	Risk assessment	Potential impacts	Mitigation strategy	Residual risk
		identified issues resulting in delays		

Specific sector considerations

- A25. In its initial stages, the project seeks to only develop reporting requirements for sustainability-related financial information for for-profit sector entities. In later stages of the project, the development of such reporting requirements will be considered for NFP sector entities.
- A26. Staff expect that, given the nature of sustainability-related financial information, reporting requirements for such information will differ from IFRS Accounting Standards in that sector or industry-specific considerations will be required for some sustainability-related financial reporting topics. For example, [Appendix B](#) of [Exposure Draft on \[Draft\] IFRS S2 Climate-related Disclosures](#) includes proposals for industry-specific technical protocols for greenhouse gas emissions and other disclosures.

Relevant Standards, Legislation and Regulations

- A27. As noted at the Board’s February 2022 meeting, there is currently no national approach to sustainability reporting in Australia, which has led to a diverse range of legislation and guidance being developed by individual Australian government and industry bodies.¹⁹
- A28. The Australian legislation and guidance identified in this draft project plan are not for broad application. The key Australian legislation and guidance included in this draft project plan generally applies to specific market participants and are not broadly applied outside of their intended scope.
- A29. As noted at the Board’s February 2022 meeting, staff identified the following Australian legislation and guidance via:²⁰
- (a) Outreach—as part of outreach meetings for ITC 46 and ITC 48 *Extended External Reporting*, staff asked preparers which sustainability standards and frameworks they applied (including any sustainability-related Australian legislation or guidance); and
 - (b) Research—staff reviewed sustainability reports issued by the largest 20 companies listed on the Australian Stock Exchange (ASX) to identify which sustainability standards and frameworks (including any sustainability-related Australian legislation or guidance) they applied when preparing their reports.
- A30. Outreach and research identified the following key pieces of sustainability-related Australian legislation and guidance:

Relevant legislation and guidance	Reason relevant
National Greenhouse and Energy Reporting Act 2007	The national framework for measuring, reporting and disseminating company information about greenhouse gas emissions, energy production, energy consumption and other information specific under NGER legislation.

¹⁹ See February 2022 (M185) Agenda Paper [3.3 Australian and selected jurisdictional perspectives](#).

²⁰ See February 2022 (M185) Agenda Paper [3.3](#).

Relevant legislation and guidance	Reason relevant
Water Act 2007	The national water information service that accurately monitors, assesses and forecasts the availability, condition and use of Australian water resources.
Modern Slavery Act 2018	Establishes national modern slavery reporting requirements. The reporting requirements apply to large companies and other entities in the Australian market with annual consolidated revenue of at least AUD\$100 million and supports the Australian business community to identify and address their modern slavery risks and maintain responsible and transparent supply chains.
Workplace Gender Equality Act 2012	Requires non-public sector employers with 100 or more employees to lodge reports each year to the Workplace Gender Equality Agency.
ASIC Regulatory Guides	<p>In September 2018, ASIC set out their recommendations relating to the consideration and disclosure of climate risk in Report 593 Climate risk disclosure by Australia’s listed companies (Report 593).</p> <p>In August 2019 ASIC updated its existing regulatory guidance to address the disclosure of climate-related risks and opportunities. The updates were made to:</p> <ul style="list-style-type: none"> • Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors (RG 228); and • Regulatory Guide 247 Effective disclosure in an operating and financial review (RG 247).
Australian Stock Exchange (ASX) <i>Corporate Governance Principles and Recommendations</i>	Issued in February 2019 for application for financial years beginning on or after 1 January 2020, the ASX Corporate Governance Council’s fourth edition of the ASX Corporate Governance Principles and Recommendations (ASX <i>Principles and Recommendations</i>) now make reference to climate-related risk.
APRA Prudential Practice Guide CPG 229 <i>Climate Change Financial Risks</i>	In November 2021, APRA issued Prudential Practice Guide CPG 229 Climate Change Financial Risks (CPG 229). While not mandatory, CPG 229 aims to assist APRA-regulated institutions in complying with Prudential Standards CPS 220 <i>Risk Management</i> , SPS 220 <i>Risk Management</i> , CPS 510 <i>Governance</i> , SPS 510 <i>Governance</i> and, more generally, to outline prudent practices in relation to climate change financial risk management.

A31. In addition, staff observed that the ISSB is seeking to align several key concepts in their work with those in the IFRS *Conceptual Framework for Financial Reporting*, IAS 1 *Presentation of*

Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:

Relevant Standards	Reason relevant
IFRS/AASB <i>Conceptual Framework for Financial Reporting</i>	Guiding principles of the <i>Conceptual Framework for Financial Reporting</i> are being applied by the ISSB in the development of sustainability-related financial reporting requirements (for example, the definition of material and explanation of the reporting entity).
IAS 1/AASB 101 <i>Presentation of Financial Statements</i>	Guiding concepts in IAS 1 are being applied by the ISSB in the development of sustainability-related financial reporting requirements (for example, guidance for applying the definition of material, comparative disclosures and sources of estimation uncertainty).
IAS 8/AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Guiding concepts in IAS 8 are being applied by the ISSB in the development of sustainability-related financial reporting requirements (for example, errors and changes in estimates).

Interaction with the ISSB and the GRI

- A32. In February 2022, the Board tentatively decided to use the work of the ISSB as a foundation, with modifications for Australian matters and requirements. However, to prioritise international alignment and be consistent with the project's proposed scope, staff will continue to engage with other national standard-setters and sustainability reporting standard-setters and framework providers. In particular, as respondents to ITC 46 and ITC 48 observed that the GRI Standards are most commonly applied in Australia for broader sustainability reporting, staff plan to engage with the GRI to minimise any perceived or potential areas of conflict.²¹
- A33. That is, the work of the ISSB will be the Board's starting point. Staff will then engage in a range of outreach, including outreach with (i) relevant Australian stakeholders; (ii) other national standard-setters; and (iii) the GRI; to determine whether modifications are required for Australian matters and requirements.

Interaction with the AUASB

- A34. Respondents to ITC 46 highlighted that as the Board considers the development of reporting requirements for sustainability-related financial information, it should also consider the auditability of such information. The November 2021 FRC, AASB and AUASB [Position Statement on Extended External Reporting and Assurance](#) also stated that the AUASB intends to simultaneously update relevant assurance standards while the AASB develops relevant reporting requirements.
- A35. Where appropriate, staff will be liaising with relevant AUASB staff. One way in which staff are already working together is through the Sustainability Reporting Project Advisory Panel (see paragraph A22). Staff also plan to include relevant AUASB staff in outreach meetings where appropriate.

²¹ Note that in March 2022, the GRI and IFRS Foundation signed a Memorandum of Understanding which seeks to align capital market and multi-stakeholder standards to create an interconnected approach for sustainability disclosures (see: <https://www.ifrs.org/news-and-events/news/2022/03/ifrs-foundation-signs-agreement-with-gri/>).

Consideration of New Zealand sustainability-related standards

- A36. In September 2020 the New Zealand Government announced its intention to implement mandatory reporting on climate risks and opportunities to build on the progress already made to tackle the climate crisis. To support the establishment of a climate-related disclosure framework, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill 2021 (the Bill) allows for the External Reporting Board (XRB) to issue guidance on ESG matters. As part of this process, the XRB was tasked with establishing a climate-related disclosure framework that:
- is based on the TCFD Recommendations;
 - is expected to be accompanied by guidelines; and
 - will include a series of transitional provisions to enable climate reporting entities to begin their disclosure journey.
- A37. In October 2021, the XRB published the public consultation document [Climate-related Disclosures: Governance and Risk Management \(Aotearoa New Zealand Climate Standard 1\)](#). The comment period closed in November 2021 and in February 2022 the XRB published [What we heard: Governance and Risk Management sections of NZ CS 1 Consultation feedback](#). The overall approach taken by the XRB received strong support, particularly the principles-based approach and close alignment with the TCFD Recommendations.
- A38. In March 2022, the XRB published the second public consultation document [Climate-related Disclosures: Strategy and Metrics and Targets \(Aotearoa New Zealand Climate Standard 1\)](#), the comment period for which closed 2 May 2022. Note that the public consultation document does identify instances where the proposed requirements of NZ CS 1 deviate from the those proposed by the IFRS Foundation [Technical Readiness Working Group \(TRWG\) Climate-related Disclosure prototype](#) standard. However, a comparison of the proposed requirements of NZ CS 1 to the recently published [Exposure Draft on \[Draft\] IFRS S2 Climate-related Disclosures](#) has yet to be performed.
- A39. A formal exposure draft of the proposed XRB climate-related standard (or standards) is also expected to be published in July 2022, with a final standard (or standards) expected by December 2022.

Project timeline—medium to short-term timeline based on the initial work of the ISSB

- A40. Consistent with the proposed work of the ISSB, the following project timeline focuses on:
- the initial development of reporting requirements for general sustainability and climate-related financial information; and
 - the initial work of the ISSB in determining the next sustainability-related topics to be addressed.

Milestone	Target (Board, stakeholders, other)	Date
Stage 1.1		
Exposure Drafts – development and approval <ul style="list-style-type: none"> In addition to the ISSB’s Exposure Drafts, staff to develop Australian-specific preface and questions for the Exposure Drafts 	Board	April 2022

<p>Exposure Drafts - outreach</p> <ul style="list-style-type: none"> • Develop and issue communications, including details of outreach events, upon issuing the Exposure Drafts • Outreach • Research • Comparison of the proposals of the Exposure Drafts with international sustainability reporting standards and frameworks 	Stakeholders	April-June 2022
<p>Summary of feedback and deliberation</p> <ul style="list-style-type: none"> • Summary of outreach results • Recommendation and decision on submission (or submissions) to the ISSB 	Board	June-July 2022
Stage 1.2		
<p>Drafting final pronouncements and approval</p> <ul style="list-style-type: none"> • Recommendation and decision on option to progress to final pronouncement stages (i.e., based on the final pronouncements issued by the ISSB) • Updating the proposals of the Exposure Drafts based on amendments agreed with the Board (i.e., Australian modifications or requirements) 	Board	August-December 2022
<p>Post-issuing pronouncements</p> <ul style="list-style-type: none"> • Amendments required to other AASB pronouncements (if any) • Basis for Conclusions • Non-authoritative guidance (e.g., Australian-specific implementation or other guidance if needed) 	Stakeholders	August-December 2022
<p>Redeliberation of the draft project plan</p> <ul style="list-style-type: none"> • Recommendation and decision to adopt ISSB standards 	Board	October-December 2022

Stage 1.3		
<p>Request for Information (through an expected ISSB-led agenda consultation) – outreach</p> <ul style="list-style-type: none"> • Develop and issue communications, including details of outreach events, upon issue of the RFI • Outreach • Research 	Stakeholders	October-December 2022
<p>Due process considerations</p> <ul style="list-style-type: none"> • Recommendation and decision to amend existing Due Process Framework or develop a new due process framework • Consideration of any amendments to the IFRS Foundation’s Due Process Framework 	Board	December 2022-February 2023

Stakeholder engagement and communication

Planned outreach for Stages 1.1-1.2

A42. April 2022 (M186) Agenda Paper [3.1 Cover Memo](#) provided an overview of the staff’s proposed outreach plan for the initial two Exposure Drafts published by the ISSB. In particular, to obtain detailed and useful feedback on all aspects of the Exposure Drafts from both accountants and non-accountants, staff plan to engage in the following outreach should time allow:²²

- (a) **Proactive stakeholder engagement**—for example, through one-on-one meetings, meetings with existing AASB advisory committees and request submissions directly from sustainability reporting stakeholders. Staff intend to target specifically:
 - (i) those stakeholders (both accounting and non-accounting) that provided feedback on sustainability reporting in their responses to ITC 46 and ITC 48 either through formal submissions or one-on-one meetings with staff; and
 - (ii) other sustainability reporting stakeholders (both accounting and non-accounting) which have been identified as being potentially impacted by sustainability reporting—for example, such as environmental consultants and accountants.
- (b) **Industry-based outreach**—for example, [Appendix B to Exposure Draft on \[Draft\] IFRS S2 Climate-related Disclosures](#) (Exposure Draft on [Draft] IFRS S2) includes industry-specific metrics and definitions which must be applied when applying the requirements of the proposals in Exposure Draft on [Draft] IFRS S2. Staff intend to hold roundtable discussions with key industries in Australia (including, but not limited to, mining, oil and gas, superannuation funds, banking and consumer goods) to discuss specifically the proposed industry-based metrics.
- (c) **Application**—to help the Board and other stakeholders determine the reporting outcomes of Exposure Draft on [Draft] IFRS S2, staff intend to seek both accounting

²² Where appropriate staff will also include and liaise with the AUASB staff as part of all planned outreach.

and non-accounting volunteers to implement the proposals in Exposure Draft on [Draft] IFRS S2 and provide examples of what the reporting outcomes will look like.

Research activities

- A43. Staff note the following research activities have been, or are being, performed:
- (a) Climate Scenario Disclosure (prepared by the University of Melbourne research team lead by Brad Potter)—this research focuses on climate scenario disclosure by the top 100 companies listed on the Australian Stock Exchange (ASX 100).²³
 - (b) The AUASB’s current scholar is Dr. Shan Zhou. Dr. Zhou focuses on research on Extended External Reporting, which is a strategic priority area for the AUASB. Dr. Zhou is currently completing a literature review on the reporting and assurance of climate-related and other non-financial information, which will be issued as an AUASB Research Report.²⁴
 - (c) At its February 2022 meeting, the Board discussed a preliminary academic literature review that focused on:²⁵
 - (i) climate-related disclosures in a global setting; and
 - (ii) the boundaries of leading sustainability reporting standards and frameworks.
 - (d) The AASB and AUASB have jointly issued a research grant to the University of Sydney to help support their research on the reporting of climate risk in Australia.

²³ See May 2022 (M187) Agenda Paper 6.4 *Research update on Climate Scenario Disclosure*.

²⁴ See AUASB March 2022 (M128) Agenda Paper [10 AUASB Academic scholar update](#).

²⁵ See February 2022 (M185) Agenda Paper [3.6 Preliminary academic literature review](#).