



Australian Government
Australian Accounting Standards Board

AASB Sustainability Reporting Standard-Setting Framework

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Introduction

What is the purpose of this Framework?

- 1 The *AASB Sustainability Standard-Setting Framework* (this Framework) sets out the principles used by the Australian Accounting Standards Board (AASB) to determine the content of Australian Sustainability Reporting Standards and guidance issued by the AASB, including how the AASB uses International Financial Reporting Standards (IFRS) Sustainability Disclosure Standards and guidance issued by the International Sustainability Standards Board (ISSB) to develop, issue and maintain Australian Sustainability Reporting Standards that are, as far as practicable, sector neutral.
- 2 This Framework operates in conjunction with the:
 - (a) [*AASB For-Profit Entity Standard-Setting Framework*](#);
 - (b) [*AASB Not-for-Profit Entity Standard-Setting Framework*](#); and
 - (c) [*AASB Evidence-Informed Standard-Setting Framework*](#).
- 3 This Framework sets out how the AASB assesses the appropriateness of IFRS Sustainability Disclosure Standards in the Australian context and outlines criteria for when the AASB may consider departing from, amending or adding to the baseline of IFRS Sustainability Disclosure Standards when developing sector-neutral Australian Sustainability Reporting Standards, amendments, guidance or examples. This Framework provides transparency to this process and facilitates consistency in the AASB's future decision-making, including the form and extent of any modifications to IFRS Sustainability Disclosure Standards.
- 4 The AASB has determined that, as far as is practicable, it will develop a sustainability reporting standard-setting framework that is sector neutral. The AASB may consider the need for separate sustainability reporting standard-setting frameworks for for-profit entities¹ and not-for-profit entities² in the future.

1 As described in the [*AASB For-Profit Entity Standard-Setting Framework*](#), a for-profit entity is an entity whose principal objective is the generation of profit. A for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls. For-profit entities exist in both the private and the public sectors, and examples include (but are not limited to) listed companies, disclosing entities, some large and small proprietary companies, government business enterprises and some subsidiaries of not-for-profit entities.

2 As described in the [*AASB Not-For-Profit Entity Standard-Setting Framework*](#), a not-for-profit entity is an entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities comprising the parent entity and each of the entities that it controls. Not-for-profit entities exist in both the private and the public sectors, and examples include (but are not limited to) government entities, charities, incorporated associations, co-operatives and large and small proprietary companies.



What role does the AASB play in developing sector-neutral Australian Sustainability Reporting Standards?

- 5 [Proposed] amendments to the *Australian Securities and Investments Commission Act 2001* (the ASIC Act) explicitly grant the AASB the function to develop and formulate sustainability standards. The [proposed] amendments allow the AASB to establish Australian Sustainability Reporting Standards that will, as far as practicable, align with significant international developments.
- 6 The [AASB Due Process Framework for Setting Standards](#) explains that the ASIC Act permits the AASB to develop different reporting requirements for different types of entities. As such, and where appropriate, the AASB may develop different reporting requirements for for-profit and not-for-profit entities. In the context of sustainability reporting, this could mean that the AASB departs from, amends or adds to the baseline of IFRS Sustainability Disclosure Standards to ensure that a single set of Australian Sustainability Reporting Standards is applied for all types of entities required to comply with the Standards.
- 7 The extent of compliance required with Australian Sustainability Reporting Standards issued by the AASB is determined by the legislative or regulatory requirements of other regulators (e.g. Commonwealth, State and Territory governments) and/or an entity's constituting or other documents, in conjunction with the application paragraphs of Standards set by the AASB. Other guidance issued by the AASB is generally not authoritative (e.g. Illustrative Examples and Practice Statements).

Sustainability reporting in the context of general purpose financial reporting

- 8 The AASB sets Standards and develops reporting requirements and guidance for general purpose financial statements (GPFS) and general purpose financial reporting (GPFR). GPFS form a part of broader GPFR. The objective of GPFR is to provide financial information about the reporting entity that is useful to existing and potential resource providers (such as investors, lenders, other creditors, donors and taxpayers), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament) in making resource allocation decisions in relation to the entity. Sustainability reporting is expected to form a part of broader GPFR and complement the related GPFS.

Enforcement

- 9 Enforcement of the preparation of sustainability reports and/or sustainability-related financial disclosures and compliance with Australian Sustainability Reporting Standards is the responsibility of other regulators (e.g. the Australian Securities and Investments Commission and the Australian Charities and Not-for-profits Commission). It is not the responsibility of the AASB.



What assumptions underpin the sustainability reporting standard-setting framework?

IFRS Sustainability Disclosure Standards are a suitable foundation for developing Australian Sustainability Reporting Standards

- 10 The AASB has adopted as an assumption underpinning this Framework that IFRS Sustainability Disclosure Standards (and guidance) issued by the ISSB present a suitable foundation for developing Australian Sustainability Reporting Standards. International alignment is prioritised in this Framework, with amendments to the baseline of IFRS Sustainability Disclosure Standards made only where it is necessary to do so to meet the needs of Australian stakeholders.
- 11 This Framework sets out how the AASB assesses the appropriateness of developing Australian Sustainability Reporting Standards (and guidance) that align to an IFRS Sustainability Disclosure Standard or other pronouncement issued by the ISSB. In particular, this Framework outlines criteria for when the AASB considers departing from, amending or adding to an issued IFRS Sustainability Disclosure Standard, or develops Australian Sustainability Reporting Standards (and guidance) that differs to that of the ISSB.
- 12 Aligning with IFRS Sustainability Disclosure Standards as the foundation for Australian Sustainability Reporting Standards and guidance is expected to maintain domestic and international confidence in the Australian economy (including its capital markets), allow Australian for-profit and not-for-profit entities to obtain the benefits of international competitiveness and comparability, facilitate the movement of professionals across sectors and borders, and help ensure the costs of complying with Australian Sustainability Reporting Standards do not outweigh their benefits. In addition, IFRS Sustainability Disclosure Standards are appropriate as a base for the following reasons.
 - (a) IFRS Sustainability Disclosure Standards are developed by the ISSB, a standard-setting board of the IFRS Foundation. As such, they are expected to complement the IFRS Accounting Standards on which Australian Accounting Standards are based. At this stage, the ISSB has clarified that IFRS Sustainability Disclosure Standards operate independently to IFRS Accounting Standards and have been developed to work alongside jurisdictional accounting requirements – that is, compliance with IFRS Sustainability Disclosure Standards does not require an entity to also comply with IFRS Accounting Standards.
 - (b) The ISSB’s intention is to develop IFRS Sustainability Disclosure Standards that bridge the perceived gap between broader sustainability reporting and the financial statements and present a ‘global baseline’ of sustainability-related financial disclosures for for-profit entities while recognising that jurisdictions may have specific limitations or requirements.
 - (c) IFRS Sustainability Disclosure Standards are developed following a due process that encourages interested parties to express their views. The due



process steps include redeliberation of exposed proposals having regard to stakeholder feedback received during a public consultation period. The AASB is able to participate in the development of the ISSB's proposals via avenues such as direct submissions and membership of the Asian-Oceanian Standard-Setters Group (AOSSG).

- (d) There is support for using the IFRS Sustainability Disclosure Standards as a baseline in key international markets in which Australian entities typically compete.

Australian/New Zealand convergence

- 13 As a secondary assumption underpinning this Framework, the AASB considers that differences between sustainability reporting standards issued in Australia and in New Zealand should be minimised, if possible, to reduce the costs for entities that operate in both countries.

Transaction neutrality

- 14 As noted in paragraph 4, the AASB has determined that it will, as far as is practicable, focus on developing sector-neutral Australian Sustainability Reporting Standards.
- 15 That is, consistent with the AASB's existing standard-setting frameworks and processes, it is the AASB's intention to develop transaction-neutral sustainability reporting standards where possible. A transaction (or sector) neutrality approach to sustainability reporting standards means that like transactions, other events and conditions are considered in a like manner for all types of entities, whatever their sector of activity, unless there is a justifiable reason not to do so.

What triggers the AASB to consider Australian-specific Sustainability Reporting Standards or guidance?

- 16 The AASB considers the need for Australian-specific Sustainability Reporting Standards, amendments, guidance or examples when:
 - (a) a new IFRS Sustainability Disclosure Standard or pronouncement – or amendments to an existing IFRS Sustainability Disclosure Standard or pronouncement – is issued;
 - (b) a post-implementation review (PIR) of an IFRS Sustainability Disclosure Standard or Australian Sustainability Reporting Standard gives a compelling reason to do so;
 - (c) Australian constituents raise the need with the AASB (via agenda consultation, outreach activities, or written or verbal submissions);



- (d) a new International Public Sector Accounting Standards Board (IPSASB) Standard or pronouncement – or amendments to an existing IPSASB Standard or pronouncement – is issued;
- (e) Australian-specific legislation with sustainability reporting implications is issued;
- (f) parliamentary or other legislative enquiries contain recommendations for sustainability reporting within the AASB’s remit;
- (g) evidence of undue widespread and significant diversity in sustainability reporting practices exists (e.g. the results of AASB research); and/or
- (h) Australian public interest issues provide a compelling reason to do so.

What criteria are used to determine whether Australian-specific Sustainability Reporting Standards or guidance are needed?

- 17 The AASB uses professional judgement in reaching its conclusions about Australian Sustainability Reporting Standards, amendments, guidance or examples.
- 18 As part of its normal standard-setting due process, reasons for conclusions are documented in the related Basis for Conclusions and the extent of differences to IFRS Sustainability Disclosure Standards will be documented in the material accompanying an Australian Sustainability Reporting Standard.
- 19 As noted in paragraph 10, international alignment is prioritised. The AASB acknowledges that there is currently a significant degree of uncertainty regarding how best to achieve international alignment, given the lack of global consensus on sustainability reporting and related requirements. However, the AASB has concluded that, at this stage, the IFRS Sustainability Disclosure Standards provide a suitable foundation for developing Australian Sustainability Reporting Standards.
- 20 The AASB recognises that, in certain circumstances, there may be a need to depart from, amend or add to requirements in an IFRS Sustainability Disclosure Standard or to develop an Australian Sustainability Reporting Standard, amendments, guidance or examples that differ to that of the ISSB, in order to meet the needs of Australian stakeholders. Justifiable circumstances in which the AASB contemplates such changes or differences would include any of the following criteria:
 - (a) requirements in IFRS Sustainability Disclosure Standards do not adequately address Australian-specific matters and there is, or is likely to be, diversity in practice warranting Australian-specific requirements or guidance;
 - (b) requirements in IFRS Sustainability Disclosure Standards will not deliver user benefits that outweigh any undue cost or effort for preparers;



- (c) requirements in IFRS Sustainability Disclosure Standards will not achieve international alignment or else will conflict with global sustainability reporting practices;
- (d) the AASB identifies equivalent or corresponding disclosure requirements in Australian legislation that already meet the objectives of the IFRS Sustainability Disclosure Standards and would result in duplicate disclosure or reporting for Australian entities. In making this assessment, the AASB would consider relevant Australian legislation such as the *National Greenhouse and Energy Reporting Act 2007*; and/or
- (e) transitioning from existing Australian practices to requirements in IFRS Sustainability Disclosure Standards will impose additional costs or require additional time when compared with international counterparts, warranting deferral of the application date.

21 When there is evidence the assumptions described in paragraphs 10-15 are no longer appropriate for the Australian context, this Framework will be reconsidered. The AASB and/or its oversight body, the Financial Reporting Council, will periodically consult to determine whether these assumptions remain appropriate.

How are Australian-specific Sustainability Reporting Standards and/or guidance developed?

22 Consistent with the AASB's present approach relating to IFRS Accounting Standards, having determined that an Australian Sustainability Reporting Standard, amendments, guidance or examples are required, the AASB considers whether to:

- (a) modify the baseline of IFRS Sustainability Disclosure Standards through 'Aus' paragraphs, additional implementation or application guidance, or other additional guidance, such as illustrative examples; or
- (b) develop an additional Australian Sustainability Reporting Standard.

23 In making this determination, the AASB considers:

- (a) the extent and importance of Australian-specific legislation, user needs or public interest issues in maintaining confidence in the Australian economy;
- (b) the effect on international perceptions of the alignment of Australian Sustainability Reporting Standards with IFRS Sustainability Disclosure Standards or other internationally accepted sustainability reporting standards and frameworks, such as those developed by the Global Reporting Initiative;
- (c) the inadvertent or inappropriate use of additional guidance by entities that may result in non-compliance with Australian-specific legislation, IFRS Sustainability Disclosure Standards or other internationally accepted sustainability reporting standards and frameworks; and



(d) the extent of modifications required.

24 In developing proposals for new Standards or guidance, the AASB considers:

- (a) consistency with the *Conceptual Framework for Financial Reporting* or the *Framework for the Preparation and Presentation of Financial Statements* (as relevant);
- (b) consistency with existing Australian Sustainability Reporting Standards;
- (c) consistency with existing Australian Accounting Standards (including Interpretations); and
- (d) other authoritative material that is relevant, such as:
 - (i) pronouncements of other national standard-setters, including the New Zealand External Reporting Board (NZ XRB); and
 - (ii) for public sector issues, IPSASB Standards, Conceptual Framework and guidance.



Appendix

Extract from [Treasury Laws Amendment \(2023 Measures No. 1\) Bill 2023](#) – proposed amendments to the *Australian Securities and Investments Commission Act 2001*.

[This Appendix (and paragraph 5 of the Framework) will be updated to reflect the final amendments made to the ASIC Act when passed by Parliament.]

Schedule 2—Sustainability standards

Australian Securities and Investments Commission Act 2001

1 Subsection 5(1)

Insert:

international sustainability standards means sustainability standards made by:

- (a) the International Sustainability Standards Board; or
- (b) another body specified by the regulations.

Note: Sustainability standards include standards relating to climate.

2 Paragraph 224(a)

Omit “accounting standards that require the provision of financial information”, substitute “accounting standards, and sustainability standards, that require the provision of financial and other related information”.

3 Subparagraph 224(b)(iii)

Repeal the subparagraph, substitute:

- (iii) having accounting standards, auditing standards and sustainability standards that are clearly stated and easy to understand; and

4 At the end of section 224

Add:

Note: Sustainability standards include standards relating to climate.

5 Paragraphs 225(1)(a) and (b)

Repeal the paragraphs, substitute:

- (a) to provide broad oversight of the processes for setting in Australia:
 - (i) accounting standards; and
 - (ii) auditing standards; and
 - (iii) sustainability standards; and



6 Paragraph 225(1)(d)

Omit “paragraphs (a) and (b)”, substitute “paragraph (a)”.

7 Paragraph 225(1)(e)

Repeal the paragraph, substitute:

- (e) the functions specified in the following subsections:
 - (i) subsection (1A) (standards functions);
 - (ii) subsection (2) (AASB governance functions);
 - (iii) subsection (2A) (AUASB governance functions);
 - (iv) subsection (2B) (auditor quality functions); and

8 After subsection 225(1)

Insert:

Standards functions

(1A) The FRC functions include:

- (a) monitoring the development of international accounting standards, international auditing standards and international sustainability standards; and
- (b) monitoring the development of the accounting standards, auditing standards, and sustainability standards that apply in major international financial centres; and
- (c) furthering the development of a single set of each of the following for world-wide use with appropriate regard to international developments:
 - (i) accounting standards;
 - (ii) auditing standards;
 - (iii) sustainability standards; and
- (d) promoting the continued adoption of international best practice:
 - (i) accounting standards; and
 - (ii) auditing standards; and
 - (iii) sustainability standards;in the Australian standard-setting processes if doing so would be in the best interests of both the private and public sectors in the Australian economy; and
- (e) monitoring the operation of:
 - (i) accounting standards; and
 - (ii) auditing standards; and
 - (iii) sustainability standards;to assess their continued relevance and their effectiveness in achieving their objectives in respect of both the private and public sectors of the Australian economy; and
- (f) monitoring the effectiveness of the consultative arrangements used by the AASB and the AUASB.



9 Subsection 225(2) (heading)

Repeal the heading, substitute:

AASB governance functions

10 Paragraph 225(2)(c)

Omit “direction; and”, substitute “direction.”.

11 Paragraphs 225(2)(e) to (h)

Repeal the paragraphs.

12 Subsection 225(2A) (heading)

Repeal the heading, substitute:

AUASB governance functions

13 Paragraph 225(2A)(c)

Omit “direction; and”, substitute “direction.”.

14 Paragraphs 225(2A)(e) to (h)

Repeal the paragraphs.

15 Paragraph 227(1)(a)

Repeal the paragraph, substitute:

- (a) to develop conceptual frameworks, not having the force of standards, for the purpose of evaluating:
 - (i) proposed accounting standards and international accounting standards; and
 - (ii) proposed sustainability standards and international sustainability standards;and

16 After paragraph 227(1)(c)

Insert:

- (ca) to formulate sustainability standards; and

17 Paragraph 227(1)(d)

Repeal the paragraph, substitute:

- (d) to participate in and contribute to the development of each of the following for world-wide use:
 - (i) a single set of accounting standards;
 - (ii) a single set of sustainability standards; and



18 Subsection 227(1) (note 3)

Repeal the note, substitute:

- Note 3: The standards formulated under paragraph (ca) do not have legal effect but may be applied or adopted by some other authority.
- Note 4: For the framework within which the AASB is to formulate and make these standards, see section 224 and Division 2.

19 Subsections 227(4) and (5)

Repeal the subsections, substitute:

Manner of making or formulating standards

- (4) Without limiting subsection (1), the AASB:
- (a) may make or formulate an accounting standard by issuing the text of an international accounting standard; and
 - (b) may formulate a sustainability standard by issuing the text of an international sustainability standard.
- (5) The text of an international standard referred to in subsection (4) may be modified:
- (a) to the extent necessary to take account of the Australian legal or institutional environment; and
 - (b) in particular, to ensure that any disclosure and transparency provisions in the standard are appropriate to the Australian legal or institutional environment.

Manner of participating in the development of international standards

- (6) Without limiting paragraph (1)(d), the AASB may distribute for consultation the text of:
- (a) a draft international accounting standard; or
 - (b) a draft international sustainability standard;
- (whether or not modified to take account of the Australian legal or institutional environment).

20 Paragraph 227B(1)(b)

Repeal the paragraph, substitute:

- (b) to formulate auditing and assurance standards for sustainability and other purposes; and

21 Division 2 of Part 12 (heading)

Repeal the heading, substitute:

Division 2—Accounting standards and sustainability standards



22 Before section 228

Insert:

227C Scope of this Division

This Division applies to the following standards (the *applicable standards*):

- (a) accounting standards;
- (b) sustainability standards.

23 Subsections 228(1) and (2)

Omit “an accounting standard”, substitute “an applicable standard”.

24 Subsection 229(1)

Omit “Accounting standards”, substitute “Applicable standards”.

25 At the end of section 229

Add:

- (3) In formulating sustainability standards, the AASB:
 - (a) must have regard to the suitability of a proposed standard for different types of entities; and
 - (b) may apply different sustainability requirements to different types of entities.

26 Subsection 231(1)

Omit “a proposed accounting standard”, substitute “a proposed applicable standard”.

27 Subsection 231(2)

Omit “a proposed international accounting standard”, substitute “a proposed international applicable standard”.

28 Section 234

Repeal the section, substitute:

234 Validity of standards

A failure to comply with this Division in relation to the making or formulating of an applicable standard does not affect the validity of the standard.

29 Subsection 236A(2)

Repeal the subsection, substitute:

- (2) A meeting of the AASB, or a part of one of its meetings, must be held in public if the meeting or that part of it concerns the contents of any of the following:



- (a) accounting standards or international accounting standards;
- (b) sustainability standards or international sustainability standards.

30 Subsection 236B(3)

Omit “or government”, substitute “, government, science, sustainability or climate change”.

31 Subsection 236F(4)

Omit “or government”, substitute “, government, science, sustainability or climate change”.

32 Paragraph 237(2)(c)

Omit “or international auditing standards”, substitute “, international auditing standards or international sustainability standards”.