



Project:	Sustainability Reporting	Meeting	AASB February 2022 (M185)
Topic:	Background to global sustainability reporting	Agenda Item:	3.2
		Date:	7 February 2022
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		Decision-Making:	High
		Project Status:	Consider project direction

Objective

- 1 In November 2021, the International Financial Reporting Standards (IFRS) Foundation announced the establishment of the International Sustainability Standards Board (ISSB). The objective of the ISSB is to develop, in the public interest, high-quality, understandable, enforceable and globally accepted standards for general purpose financial reporting based on clearly articulated principles¹.
- 2 The objective of this paper is to provide Board members with the background to the:
 - (a) leading sustainability standard-setters and framework providers; and
 - (b) global movement towards the harmonisation of sustainability reporting.
- 3 This paper is for information purposes only and does not ask the Board to make any decisions.

Structure

- 4 This paper is structured as follows:
 - (a) Background (paragraphs 5-6)
 - (b) Leading sustainability reporting standard-setters and framework providers (paragraphs 7-44)
 - (i) United Nations Sustainability Development Goals (paragraphs 7-9)
 - (ii) United Nations Global Compact (paragraphs 10-12)
 - (iii) TCFD Recommendations (paragraphs 13-20)
 - (iv) Value Reporting Foundation (paragraphs 21-27)
 - (v) Climate Disclosure Standards Board (paragraphs 28-31)
 - (vi) CDP (paragraphs 32-34)

¹ Refer to the revised [IFRS Foundation Constitution](#).

- (vii) Global Reporting Initiative (paragraphs 35-37)
- (viii) International Sustainability Standards Board (paragraphs 38-44)
- (c) Global movement towards harmonisation of sustainability reporting (paragraph 45)
- (d) Question to Board members.

Background²

- 5 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 global engagement with stakeholders, in November 2021, the IFRS Foundation announced the establishment of the ISSB to help meet the 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.
- 6 Due to the urgent demand by investors for better information about climate-related matters, the ISSB will initially focus on climate-related financial reporting while also working towards meeting information needs of other sustainability-related matters such as ESG matters. In doing so, the ISSB will build upon the well-established work of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and work by the joint alliance of leading sustainability reporting standard-setters and framework providers (see Agenda Paper 3.3 *Australian and selected jurisdictional perspectives*). The ISSB will also consider the prototype proposed by the joint alliance for an approach to climate-related financial reporting as a potential basis to develop climate-related financial reporting standards. By working with the joint alliance and key jurisdictions, standards issued by the ISSB seek to provide a globally consistent and comparable sustainability-related reporting baseline upon which jurisdictions can build on to capture other relevant sustainability-related matters (i.e. a 'building block approach').

Leading sustainability reporting standard-setters and framework providers

United Nations Sustainability Development Goals

- 7 Sustainability-related information broadly refers to ESG and other information that falls under the scope of the United Nations Sustainable Development Goals (UN SDGs). There are 17 goals in total³:
- i. **No poverty**—end poverty in all its forms everywhere;
 - ii. **Zero hunger**—end hunger, achieve food security and improved nutrition and promote sustainable agriculture;
 - iii. **Good health and well-being**—ensure healthy lives and promote well-being for all at all ages;
 - iv. **Quality education**—ensure inclusive and equitable quality education and promote lifelong learning opportunities for all;

² See the [IFRS Foundation Trustees' Feedback Statement on the Consultation Paper on Sustainability Reporting](#).

³ For more detailed information on the UN SDGs refer to <https://sdgs.un.org/goals>

- v. **Gender equality**—achieve gender equality and empower all women and girls;
- vi. **Clean water and sanitation**—ensure availability and sustainable management of water and sanitation for all;
- vii. **Affordable and clean energy**—ensure access to affordable, reliable, sustainable and modern energy for all;
- viii. **Decent work and economic growth**—promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- ix. **Industry, innovation and infrastructure**—build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation;
- x. **Reduced inequalities**—reduce inequality within and among countries;
- xi. **Sustainable cities and communities**—make cities and human settlements inclusive, safe, resilient and sustainable;
- xii. **Responsible consumption and production**—ensure sustainable consumption and production patterns;
- xiii. **Climate action**—take urgent action to combat climate change and its impacts;
- xiv. **Life below water**—conserve and sustainably use the oceans, seas and marine resources for sustainable development;
- xv. **Life on land**—protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and biodiversity loss;
- xvi. **Peace, justice and strong institutions**—promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels; and
- xvii. **Partnerships for the goals**—strengthen the means of implementation and revitalise the global partnership for sustainable development.

8 Theoretically, the reporting of sustainability-related information is about communicating to relevant stakeholders the story of how an entity is helping to achieve the UN SDGs. This has resulted in the development of a variety of sustainability-related standards and frameworks, each of which seek to address the reporting of information related to either all (for example, the Global Reporting Initiative (GRI)) or specific UN SDGs.

9 There are many international sustainability-related reporting initiatives that are not specific to any one jurisdiction. However, staff note that the standard-setters and framework providers discussed in this paper are considered to be the global leaders in this area.

United Nations Global Compact

10 The world’s largest voluntary corporate sustainability initiative, the United Nations Global Compact (UNGC) is a call to all organisations to align strategies and operations with [ten universal principles](#) on:

(a) human rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

(b) labour:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

(c) environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

(d) anti-corruption:

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

- 11 Organisations from all sectors can use the UNGC to demonstrate their commitment to these principles, and use them to help improve their sustainability activities and better engage with stakeholders. Preparers are encouraged to declare their commitment annually—either in a separate ‘Communication on Progress’ document or as part of other sustainability disclosures.
- 12 The UNGC does not require the application of a specific sustainability reporting framework or standards, instead it only requires that preparers cover the ten principles against the four pillars of human rights, labour, environment and anti-corruption.

TCFD Recommendations

- 13 In December 2015, in response to a growing demand for decision-useful, climate-related information by a range of participants in financial markets, the Financial Stability Board (FSB) established the Task Force on Climate-related Financial Disclosures (TCFD) to help identify the information needed by investors, lenders and insurance underwriters to appropriately assess and price climate-related risks and opportunities. The TCFD was also asked to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders and insurance underwriters in understanding material⁴ risks to an organisation’s business.
- 14 In December 2016 the TCFD issued draft recommendations for climate-related financial disclosures for public consultation. Following this public consultation, the [TCFD Recommendations](#) were published in June 2017 and establish recommendations for disclosing clear, comparable and consistent information about the risks and opportunities presented by climate change.

⁴ Note that the TCFD Recommendations refer specifically to ‘financial materiality’.

- 15 The TCFD recommends that preparers of climate-related financial disclosures provide such disclosures as part of their mainstream (i.e. public) annual financial filings as the TCFD believes that climate-related matters are, or likely could be, material for many entities.
- 16 The TCFD Recommendations are structured around four thematic areas that represent core elements of how entities operate: governance, strategy, risk management, and metrics and targets. Within each of these areas are recommended disclosures which provide decision-useful information to users, particularly investors (see Table 1 below).
- 17 Committed to ensuring consistent application of their Recommendations, since June 2017 the TCFD have also published implementing guidance to accompany the Recommendations:
- (a) [Annex: Implementing the Recommendations of the TCFD](#) (2017, amended 2021);
 - (b) [The Use of Scenario Analysis in Disclosure of Climate-related Risks and Opportunities](#) (2017);
 - (c) [Guidance on Risk Management Integration and Disclosure](#) (2020);
 - (d) [Guidance on Scenario Analysis for Non-Financial Companies](#) (2020); and
 - (e) [Guidance on Metrics, Targets and Transition Plans](#) (2021).
- 18 It is important to note that the TCFD Recommendations are not structured to be a standard (or set of standards) or framework addressing sustainability reporting more broadly. The TCFD Recommendations address only climate-related financial disclosure—that is, the TCFD Recommendations are essentially a list of 11 suggested disclosures that are currently unsupported by a reporting framework that would help preparers of financial statements identify and measure climate-related financial matters for disclosure.

Table 1: TCFD Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose an organisation’s governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material.	Disclose how the organisation identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board’s oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	a) Describe the organisation’s processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management’s role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	b) Describe the organisation’s processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

- 19 In its [2021 Status Report](#), the TCFD observed that, consistent with global momentum around climate-related financial reporting, climate-related financial disclosure increased significantly from previous years. However, they also noted that only 50% of the 1,651 public companies they reviewed were in alignment with at least three recommended disclosures.
- 20 The 2021 Status Report also highlighted the increasing demand from users for more consistent and comparable climate-related financial reporting, with almost all users consulted saying that they find the disclosure of financial impacts of climate change useful.

Value Reporting Foundation

- 21 The [Value Reporting Foundation](#) (VRF) was established upon the June 2021 merger of the [International Integrated Reporting Council](#) (IIRC) and the [Sustainability Accounting Standards Board](#) (SASB). To help progress the global harmonisation and simplification of sustainability reporting, the VRF offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value—how it is created, preserved and eroded. Simply put, the IIRC provides the broader reporting framework, while the SASB provides the specific topics and metrics for disclosure.
- 22 In November 2021, as part of the establishment of the ISSB, the VRF and Climate Disclosure Standards Board (CDSB) announced their intention to consolidate their resources with the IFRS Foundation by June 2022.⁵

International Integrated Reporting (<IR>) Framework

- 23 The IIRC was established in 2010, with the [<IR> Framework](#) first published in 2013. Applied in 75 countries, the <IR> Framework is voluntary and seeks to:
- (a) improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital;
 - (b) promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time;
 - (c) enhance accountability and stewardship for the broad base of ‘capitals’ and promote understanding of their independencies; and
 - (d) support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.
- 24 Using both resources and relationships, the <IR> Framework explains how an organisation creates, preserves and erodes value over time. The <IR> Framework is investor-focused and covers six capitals—financial, human, social and relationship, natural, intellectual and manufactured—which are used to help organisations explain how they interact with the external environment to create, preserve or erode value in the short, medium and long term for both themselves and their stakeholders.
- 25 The overall objective of the <IR> Framework is to align corporate activities and capital allocation with broader strategies related to financial stability and sustainable development.

⁵ See <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>

Sustainability Accounting Standards Board (SASB)

- 26 Published in November 2018, [SASB](#) Standards were developed to guide the disclosure of financially material sustainability information by organisations and their investors. Available for 77 industries, the SASB Standards identify the subset of ESG matters most relevant to financial performance in each industry to connect business and investors with the financial impacts of sustainability.
- 27 The SASB Standards provide a complete set of globally applicable industry-specific standards. The SASB Standards identify a minimal set of financially material sustainability topics and their associated metrics for a typical for-profit entity. Currently under review, the SASB Standards also include a [Conceptual Framework](#) which:
- (a) sets out the basic concepts, principles, definitions and objectives that guide SASB in its approach to setting standards for sustainability accounting; and
 - (b) provides an overview of sustainability accounting, describing its objectives and audience.

Climate Disclosure Standards Board

- 28 The [CDSB](#) is an international consortium of business and environmental non-governmental organisations (NGOs) that are committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital. To help provide investors with decision-useful environmental information via the mainstream corporate report, the CDSB offers a framework for reporting environmental information with the same rigour as financial information.
- 29 Published in 2017, the revised [CDSB Framework for reporting environmental and climate change information](#) (CDSB Framework) is designed to help organisations prepare and present environmental information in mainstream corporate reports for the benefit of investors. The objectives of the CDSB Framework are to:
- (a) help organisations translate their sustainability information into long term value;
 - (b) provide clear, concise and consistent information to investors, connecting the organisation's environmental performance to its overall strategy, performance and prospects;
 - (c) enable and encourage informed investor decision-making on the allocation of financial capital; and
 - (d) add value to an organisation's existing mainstream report, while minimising the reporting burden and simplifying the reporting process.

30 The CDSB Framework also states alignment with the TCFD Recommendations.

31 In November 2021, as part of the establishment of the ISSB, the VRF and CDSB announced their intention to consolidate their resources with the IFRS Foundation by June 2022⁶. In

⁶ See <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>

January 2022, the IFRS Foundation announced the CDSB has been consolidated into the IFRS Foundation⁷.

CDP

- 32 Founded in 2000 the [CDP](#) (formerly the Carbon Disclosure Project) was the first platform to link environmental integrity and fiduciary duty. The CDP now runs a global disclosure system for investors, organisations, cities, states and regions to manage their environmental impacts. Each year the CDP:
- (a) supports thousands of organisations, cities, states and regions to measure and manage their risks and opportunities on climate change, water security and deforestation; and
 - (b) takes the information supplied to them in the annual reporting process and scores organisations and cities based on their journey through disclosure and towards environmental leadership.
- 33 In November 2021, in collaboration with the SME Climate Hub, the CDP launched a new climate disclosure framework aimed at small-to-medium (SME) entities to empower those entities to engage in climate reporting.⁸
- 34 Now the world's largest, most comprehensive dataset on environmental action, the insights that CDP holds empowers investors, organisations, cities and national and regional governments to make choices that work for people and planet in the long term.

Global Reporting Initiative

- 35 Established in 1997, the [Global Reporting Initiative](#) (GRI) is an independent, international organisation that helps businesses and other organisations take responsibility for their impacts by providing them with a global common language to communicate those impacts. With a multi-stakeholder focus, the GRI provides one of the world's most widely used set of standards for sustainability reporting with GRI Standards being voluntarily applied in over 100 countries.
- 36 The GRI Guidelines were first published in 2000 and the GRI Sustainability Reporting Standards were first published in 2016. In 2017, the GRI published guidance for corporate reporting on the UN SDGs launched in collaboration with the UNGC.⁹
- 37 The [GRI Standards](#):
- (a) were developed to enable any organisation—large or small, public or private—to understand and report on their impacts on the economy, environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development;

⁷ See <https://www.ifrs.org/news-and-events/news/2022/01/ifrs-foundation-completes-consolidation-of-cdsb-from-cdp/>

⁸ See <https://www.cdp.net/en/articles/companies/smes-equipped-to-join-race-to-net-zero-with-dedicated-climate-disclosure-framework>

⁹ See <https://www.globalreporting.org/about-gri/mission-history/>

- (b) provide a comprehensive framework for organisations to report on sustainability-related matters for a wide range of stakeholders including investors, suppliers, customers, employees and regulators; and
- (c) set out relevant approaches to determining materiality and the content of narrative reporting, resulting in detailed disclosures in the form of indicators for a comprehensive range of sustainability-related matters.

International Sustainability Standards Board

- 38 In November 2021, in response to the urgent need of investors and other stakeholders to understand how sustainability and climate-related matters affect organisations' enterprise value and financial performance, the IFRS Foundation announced the establishment of the ISSB. As part of this announcement, two of the leading sustainability reporting standard-setters and framework providers (being the CDSB and VRF) committed to merging with the IFRS Foundation by June 2022¹⁰.
- 39 This announcement was the culmination of over a year of work by the IFRS Foundation and its [Technical Readiness Working Group](#) (TRWG) which worked towards:
- (a) amending the IFRS *Constitution* to make room for the setting of standards addressing the reporting of sustainability and climate-related financial matters¹¹; and
 - (b) developing prototype standards for the general requirements for disclosure of sustainability-related financial information and climate-related disclosures.
- 40 In conjunction with that announcement, the TRWG published two prototype standards and a supplementary document for future consideration by the ISSB. Staff note that these prototypes have not undergone any due process at this stage—the prototype standards and supplementary document were developed only with the intention of providing the ISSB with a running start (see also Agenda Paper 3.3):
- (a) [General Requirements for Disclosure of Sustainability-related Financial Information Prototype](#);
 - (b) [Climate-related Disclosures Prototype](#); and
 - (c) [Climate-related Disclosures Prototype Supplement: Technical Protocols for Disclosure Requirements](#).
- 41 Staff note that the prototype standards have been developed based on the concept of enterprise value. Enterprise value is defined in Appendix A of the prototype standard *General Requirements for Disclosure of Sustainability-related Financial Information* as being:
- market capitalisation of an entity + market value of an entity's net debt*
- 42 The definition in Appendix A of the prototype standard also explains that:
- It [enterprise value] is determined by capital market participants, based on their estimation of the amount, timing and certainty of future cash flows spanning the short, medium and*

¹⁰ See <https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/>

¹¹ See the amended [IFRS Constitution](#).

long term. Enterprise value reflects users' assessments of future cash flows, including the value attributed to those cash flows by users.

Essential inputs in determining enterprise value include corporate reporting in financial statements, as well as reporting on sustainability matters that it is reasonably likely will affect the entity's business model over time (that is to say, affect revenue, costs, assets, liabilities, cost of capital and/or risk profile). The term captures the notion of expected value creation, preservation or erosion over time for an entity's equity and debt investors. This expected value creation, preservation or erosion is distinct from but fundamentally interdependent with an entity's creation, preservation or erosion of value for its stakeholders.

- 43 It is important to note that sustainability-related matters that do not affect the reporting entity's enterprise value have been specifically scoped out of the prototype standards.
- 44 Expected to become the baseline for global sustainability reporting, the ISSB is seeking to harmonise sustainability reporting to improve the consistency and comparability of sustainability-related financial disclosures.

Global movement towards harmonisation of sustainability reporting

- 45 The table below summarises the key milestones in the movement towards globally consistent reporting of sustainability-related information:

Table 2: Key milestones in the development of globally consistent reporting of sustainability-related information

2015	
September	<i>Transforming our world: the 2030 Agenda for Sustainable Development</i> with its 17 SDGs was adopted at the UN Sustainable Development Summit. The UN SDGs recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth—all while tackling climate change and working to preserve oceans and forests.
2018	
December	The Board and the Auditing and Assurance Standards Board (AUASB) published Climate-related and other emerging risks disclosures which, while not mandatory, represents the International Accounting Standards Board's (IASB) best practice interpretation of materiality in relation to the preparation of an entity's financial statements.
2019	
November	The IASB published the article IFRS Standards and climate-related disclosures to help investors understand what already exists in the current requirements and guidance on the application of materiality, and how it relates to climate and other emerging risks.
2020	
September	The IFRS Foundation Trustees reviewed the IFRS Foundation's five-year strategy and identified global consistency of sustainability reporting and sustainability financial reporting as a key matter for consideration. The IFRS Foundation published a Consultation Paper on Sustainability Reporting asking three key questions: is there demand for global

	<p>sustainability reporting standards; should the IFRS Foundation play a role in developing such standards; and, if so, what should that role be? The IFRS Foundation received 577 responses.¹²</p> <p>The leading sustainability standard-setters and framework providers (being the VRF, CDSB, CDP and GRI) issued a Statement of Intent in which they set out a vision for a comprehensive extended external reporting system and made a commitment to work together with the IFRS Foundation to achieve this.</p> <p>The World Economic Forum (WEF) International Business Council (IBC) published Measuring Stakeholder Capitalism, which included metrics addressing the principles of governance, planet, people and prosperity. The metrics brought together work from the leading sustainability standards and frameworks.</p> <p>The New Zealand Government announced its intention to implement mandatory reporting on climate risks and tasked the External Reporting Board (XRB) with developing related reporting standards.</p>
October	The International Auditing and Assurance Standards Board (IAASB) issued Staff Audit Practice Alert The Consideration of Climate-Related Risks in an Audit of Financial Statement to highlight areas of focus related to the consideration of climate-related risks when conducting an audit of financial statements in accordance with the International Standards on Auditing (ISA).
November	The IASB published Effects of climate related matters on financial statements to support the consistent application of requirements in IFRS Standards when considering climate and other emerging risks.
December	The leading sustainability reporting standard-setters and framework providers (the VRF, CDSB, CDP and GRI) issued Reporting on enterprise value , a prototype climate-related financial disclosure standard that illustrates how their standards and frameworks could be combined to form the basis of a global standard. It was intended to give the IFRS Foundation a platform from which to launch the development of globally consistent sustainability reporting standards.
2021	
March	The IFRS Foundation confirmed there is significant support for them to establish a new board and that it intended to announce the establishment of the ISSB in time for the UN Conference on Climate Change (COP26). The IFRS Foundation announced the formation of the TRWG to provide technical input and committed to using the prototype (as above) as a potential basis for a new standard on climate-related disclosures. TRWG participants include representatives from the VRF, CDSB, IASB and TCFD

¹² The FRC, AASB and AUASB issued a [joint comment letter](#) in response to the IFRS Consultation Paper on Sustainability Reporting.

	with the WEF and International Organisation of Securities Commission (IOSCO) observing.
April	<p>The European Commission (EC) published its proposed Corporate Sustainability Reporting Directive (CSRD).</p> <p>The IFRS Foundation published a feedback statement and an exposure draft of proposed amendments to the Constitution of the IFRS Foundation to accommodate the potential formation of a new ISSB within its existing governance structure.¹³</p>
May	The EC tasked the European Financial Reporting Advisory Group (EFRAG) with commencing technical work to develop sustainability reporting standards consistent with the EU CSRD .
June	<p>G7 Finance Ministers and Central Bank Governors published a communiqué in which they announced their support of the IFRS Foundation’s initiative on sustainability reporting.</p> <p>The IIRC and SASB merged to form the VRF and committed to delivering a more coherent extended external reporting system by working closely with the IFRS Foundation and other standard-setters and framework providers.</p> <p>IOSCO published a report on issuers’ sustainability-related disclosures that detailed IOSCO’s vision and expectations for the IFRS Foundation’s work towards globally consistent sustainability reporting.</p>
July	G20 Finance Ministers and Central Bank Governors published a communiqué in which they welcomed the work of the IFRS Foundation toward globally consistent sustainability reporting building upon the TCFD Recommendation and the work of existing standard-setters and framework providers.
October	<p>Based on the TCFD Recommendations, the New Zealand XRB published an initial draft of climate-related financial disclosures related to governance and risk management. This is the first of two draft standards, the final of which is expected to be published in 2022 and relates to strategy and metrics and targets.</p> <p>The New Zealand Government passed into law the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill (2021) which allows for the XRB to issue mandatory reporting requirements for climate-related and other ESG matters.</p>
November	The IFRS Foundation announced the establishment of a new board, the ISSB . The VRF and CDSB, alongside the ISSB, announced the consolidation of all their resources, frameworks and standards under a single body being the ISSB by June 2022. As part of these announcements:

¹³ The FRC, AASB and AUASB issued a [joint comment letter](#) in response to the proposed amendments to the IFRS Foundation *Constitution*.

	<ul style="list-style-type: none"> the IFRS Foundation published the revised IFRS Foundation Constitution—in particular, the amended <i>Constitution</i> allows for the Chair and Vice-Chair of the ISSB to expose for comment publications and finalise standards for issue without a full contingent of ISSB board members; and the TRWG disclosed to the public the work they will be turning over to the ISSB—this included prototype standards for general disclosure requirements for sustainability-related financial information and climate-related disclosures. <p>The CDP launched a new climate disclosure framework, in collaboration with the SME Climate Hub, to empower SME entities to make strategic and impactful climate commitments, track and report progress against those commitments and demonstrate climate leadership.</p>
December	<p>The IFRS Foundation Trustees appointed Emmanuel Faber to serve as the Chair of the ISSB.</p> <p>The TRWG published a webcast explaining the recommended architecture of standards, a deep dive into the prototype standards and a summary of other recommendations made by the TRWG to the ISSB as a result of the work it had been doing in the long-standing international sustainability reporting initiatives focused on enterprise value.</p> <p>The Independent Review Committee on Standard Setting in Canada publish a Consultation Paper conducting a review of the governance and structure for establishing Canadian accounting, auditing, and assurance standards, and to identify what might be needed for the future—including sustainability standards.</p>
2022	
January	<p>The IFRS Foundation Trustees announced:</p> <ul style="list-style-type: none"> the appointment of Sue Lloyd as ISSB Vice-Chair and of Janine Guillot as Special Advisor to the ISSB Chair; and they are seeking nominations for inaugural members of the ISSB. <p>EFRAG made publicly available a series of working papers supporting the development of a separate suite of sustainability reporting standards for the EU (the European Sustainability Reporting Standards (ESRS)):</p> <ul style="list-style-type: none"> PTF-ESRS Batch 1 working papers—Cover not and disclaimers; PTF-ESRS Batch 1 working papers—[Draft] ESRS 2 Strategy and business model; PTF-ESRS Batch 1 working papers—[Draft] ESRS 3 Sustainability governance and organisation; PTF-ESRS Batch 1 working papers—[Draft] ESRS 4 Sustainability material impacts, risks and opportunities; PTF-ESRS Batch 1 working papers—[Draft] ESRS 5 Definitions for policies, targets, action plans and resources; PTF-ESRS Batch 1 working papers—[Draft] ESRS E1 Climate change; PTF-ESRS Batch 1 working papers—[Draft] European Sustainability Reporting Guidelines (ESRG) 1 Double materiality conceptual guidelines for standard-setting; and

	<ul style="list-style-type: none">• PTF-ESRS Batch 1 working papers—[Draft] ESG 2 Quality of information conceptual guidelines for standard-setting. <p>The IFRS Foundation announced the completion of the consolidation of CDSB.</p>
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Question to Board members

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