



<b>Project:</b>	<b>Sustainability Reporting</b>	<b>Meeting</b>	AASB September 2023 (M198)
<b>Topic:</b>	<b>Update on international and jurisdictional perspectives</b>	<b>Agenda Item:</b>	12.1
		<b>Date:</b>	28 August 2023
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		<b>Decision-Making:</b>	-
		<b>Project Status:</b>	-

## Objective

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

## Structure

- 3 This paper is structured as follows:
  - (a) Background (paragraph 4)
  - (b) IFRS Foundation (paragraphs 5-9)
  - (c) International Sustainability Standards Board (ISSB) (paragraphs 10-11)
  - (d) Taskforce on Nature-related Financial Disclosures (TNFD) (paragraphs 12-13)
  - (e) International Auditing and Assurance Standards Board (IAASB) (paragraphs 14-15)
  - (f) Update on selected jurisdictional sustainability reporting perspectives (paragraphs 16-27)
  - (g) Question to Board members

## Background

- 4 The Board is provided with an overview of international and jurisdictional developments on sustainability-related financial reporting at each of its meetings. This paper provides an update on developments since the Board's meeting in August 2023.<sup>1</sup>

## IFRS Foundation

- 5 In July 2023, the IFRS Foundation published a comparison of the requirements in IFRS S2 *Climate-related Disclosures* and the recommendation of the Task Force on Climate-Related Financial Disclosures (TCFD Recommendations).<sup>2</sup> As demonstrated in the comparison, entities that apply the IFRS Sustainability Disclosure Standards will meet the TCFD Recommendations and so do not need to apply the TCFD Recommendations in addition to the IFRS Sustainability Disclosure Standards. The comparison also highlights that there are additional requirements in IFRS S2. These include the requirements for entities to disclose

1 See June 2023 (M196) [Agenda Paper 11.1 Sustainability Reporting—Update on international and jurisdictional perspectives](#).

2 See [Comparison IFRS S2 Climate-related Disclosures with the TCFD Recommendations](#).

industry-based metrics, to disclose information about their planned use of carbon credits to achieve their net emissions targets and to disclose additional information about their financed emissions.

6 In July 2023, the IFRS Foundation produced a webcast on connections between accounting and sustainability disclosures. Linda Mezon-Hutter, Vice-Chair of the International Accounting Standards Board (IASB) and Sue Lloyd, Vice-Chair of the ISSB discussed progress made in facilitating connections between financial statements and sustainability-related financial disclosures and in the work of the two Boards.<sup>3</sup>

7 In August 2023, the IFRS Foundation announced several appointments and reappointments to the IFRS Taxonomy Consultative Group (ITCG).<sup>4</sup> The ITCG is an expert consultative group that advises both the IASB and the ISSB on their digital taxonomies and related activities.

#### **Due Process Oversight Committee (DPOC)**

8 In July 2023, the DPOC reviewed the proposed composition of the ITCG as a result of new appointments and reappointments to the ITCG recently approved by the IASB and the ISSB, following a call for members in April and May.<sup>5</sup>

#### **The IFRS Taxonomy Consultative Group (ITCG)**

9 In July 2023, the ITCG was provided with an update on the timeline of the IFRS Sustainability Disclosure Taxonomy and the ISSB's upcoming public consultation on the Proposed IFRS Sustainability Disclosure Taxonomy. ITCG was also provided with a preview of the key aspects of the ISSB's proposal. Some ITCG members highlighted the importance of interoperability for the IFRS Sustainability Disclosure Taxonomy and encouraged the ISSB staff to engage with other standard setters, including the European Financial Reporting Advisory Group (EFRAG). The Co-Chair of the ITCG emphasised the importance of recognising that interoperability between taxonomies relies in the first instance on interoperability of the underlying Standards. One ITCG member suggested testing the Proposed IFRS Sustainability Disclosure Taxonomy based on reports produced by preparers who are in the process of implementing the IFRS Sustainability Disclosure Standards.<sup>6</sup>

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

10 The ISSB met on 27 July 2023 to discuss the path forward for one of the activities described as foundational work in the Request for Information *Consultation on Agenda Priorities*—specifically, researching targeted enhancements to the IFRS Sustainability Disclosure Standards. The ISSB directed its staff to develop educational material to explain and illustrate how an entity can apply the requirements in IFRS S2 *Climate-related Disclosures* to disclose information about nature and social aspects of climate-related risks and opportunities. The ISSB will discuss the educational material at a future meeting.<sup>7</sup>

11 In July 2023, the ISSB published the *Proposed IFRS Sustainability Disclosure Taxonomy* for public comment. The proposals reflect the disclosure requirements in the ISSB's first two Standards—IFRS S1 and IFRS S2. The consultation period will close on 26 September 2023. The ISSB will review feedback on the proposals in the second half of 2023 and aims to issue the final digital taxonomy early in 2024, subject to the feedback received. For additional detail, refer to Agenda Paper 10.1 at this meeting.<sup>8</sup>

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3 See [Webcast: connections between accounting and sustainability disclosures](#).

4 See [New ITCG members appointed](#).

5 See [July 2023 Due Process Oversight Committee meeting summary](#).

6 See [July 2023 IFRS Taxonomy Consultative Group meeting summary](#).

7 See [ISSB Update July 2023](#).

8 See [Proposed IFRS Sustainability Disclosure Taxonomy](#).

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

- 12 In August 2023, the TNFD published a high-level scoping study exploring a global nature-related public data facility. The study highlights four core challenges that a global nature-related public data facility would address:
- (a) Credibility – of high-quality, scientifically-robust state of nature-related data;
  - (b) Collection – of additional high-quality state of nature-related data to fill critical data gaps;
  - (c) Consistency – enhancing the consistency of nature-related data to improve its decision usefulness to data users; and
  - (d) Connection – connecting data from different sources so that it is accessible and meets the information and analytic needs of data users.<sup>9</sup>
- 13 Staff observe that the scope of the TNFD goes beyond financial disclosures and also address impact-related disclosures and users beyond primary users of general purpose financial reporting such as users of nature-related data.

## **International Auditing and Assurance Standards Board (IAASB)**

- 14 In August 2023, the IAASB issued a proposed International Standard on Sustainability Assurance (ISSA) 5000 *General Requirements for Sustainability Assurance Engagements*. The proposed ISSA 5000 is a principles-based, overarching standard suitable for both limited and reasonable assurance engagements on sustainability information reported across any sustainability topic. The IAASB drafted the standard to work with sustainability information prepared under any suitable reporting framework. The proposed standard is profession agnostic, supporting its use by both professional accountant and non-accountant assurance practitioners. Comments on the proposed ISSA are requested by 1 December 2023.<sup>10</sup>
- 15 The AUASB has released a Consultation Paper seeking public comment on this IAASB's Exposure Draft. The AUASB's Consultation Paper will be open for a comment period of 85-days, closing 10 November 2023.

## **Update on selected international and jurisdictional sustainability reporting perspectives**

### **International Organization of Securities Commissions (IOSCO)**

- 16 In July 2023, the IOSCO announced its endorsement of the IFRS Sustainability Disclosure Standards following its comprehensive review of IFRS S1 and IFRS S2. The endorsement specifically excludes the industry-based guidance and non-authoritative guidance published by the ISSB and the other standards and frameworks referenced in IFRS S1 and IFRS S2.<sup>11</sup>

### **Financial Stability Board (FSB)**

- 17 In July 2023, the FSB submitted to the G20 Finance Ministers and Central Bank Governors:
- (a) its second annual progress report on the July 2021 roadmap to address climate-related financial risks<sup>12</sup>; and
  - (b) a letter from the Chair of the FSB, which notes that the FSB will work with the ISSB and IOSCO to promote use of IFRS Sustainability Disclosure Standards.<sup>13</sup>

### **European Union (EU) and EFRAG**

- 18 In July 2023, the European Commission adopted the European Sustainability Reporting Standards (ESRS) for use by all companies subject to the Corporate Sustainability Reporting

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9 See [TNFD publishes scoping study exploring global nature-related public data facility](#).

10 See [Understanding International Standard on Sustainability Assurance 5000](#).

11 See [IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards](#).

12 See [FSB Roadmap for Addressing Financial Risks from Climate Change Progress report](#).

13 See [To G20 Finance Ministers and Central Bank Governors](#).

Directive.<sup>14</sup> EFRAG welcomed the adoption of the Delegated Act on the first set of the ESRS. To coincide with the adoption, the European Commission, EFRAG and the ISSB provided an update on their discussions around alignment and interoperability between ESRS and the IFRS Sustainability Disclosure Standards.<sup>15</sup> The ISSB observed that there is a significant degree of alignment between the ESRS and IFRS Sustainability Disclosure Standards.

- 19 Staff observed that, at this stage, the EU have deferred the development of industry-based requirements indefinitely.

### **United Kingdom (UK)**

- 20 In July 2023, the UK's Financial Reporting Council (FRC) published:

- (a) *FRC Lab report: ESG data distribution and consumption*<sup>16</sup> (see paragraphs 21-23).; and  
(b) *Corporate Reporting Thematic Reviews*<sup>17</sup>(see paragraphs 24-26).

#### *FRC Lab report: ESG data distribution and consumption*

- 21 The report highlights an ecosystem heavily dependent on third parties for comparable ESG data, and while investors use companies' annual reports for qualitative context, most ESG metrics and data come from third-party providers who compile, standardise and derive data from company reporting. Investors occasionally use direct company data to check third-party accuracy.
- 22 Investors want companies to focus annual reports on ESG risks, opportunities and progress relevant to their business. Therefore, to not obscure relevant information, data sheets can be helpful in containing all ESG metrics in one place to facilitate third-party and investor data collection.
- 23 As investor demands for ESG data continue to grow, strong interconnectivity between narrative and data reporting is critical to avoid greenwashing and maintain credibility.

#### *Corporate Reporting Thematic Reviews*

- 24 The review analysed TCFD-aligned disclosures from 20 companies' 2022 annual reports across four sectors: materials and buildings, energy, banks, and asset managers. It identified areas of better reporting practice as well as opportunities for improvement.
- 25 Key findings show an incremental improvement in the quality of companies' disclosure of net zero commitments and interim emissions targets. However, disclosures of concrete actions and milestones to meet targets were sometimes unclear, and comparability of metrics between companies remains challenging. Given the large volume of information presented, many companies are finding it challenging to explain their plans for transitioning to a low-carbon economy clearly and concisely.
- 26 The review also found that explanations of how climate targets affect financial statements still need improvement. Boilerplate language on climate being 'considered' provides little insight on impacts.

### **South Korea**

- 27 Korea Accounting Institute and Korea Sustainability Standards Board hosted an International Sustainability Reporting Seminar in Seoul on 17 August 2023. AASB Chair and staff attended this event.

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14 See [European Commission's corporate sustainability reporting webpage](#).

15 See [European Commission, EFRAG and ISSB confirm high degree of climate-disclosure alignment](#).

16 See [FRC Lab report: ESG data distribution and consumption](#).

17 See [Corporate Reporting Thematic Reviews](#).

## Question to Board members

### Question to Board members

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