



<b>Project:</b>	<b>Sustainability Reporting</b>	<b>Meeting</b>	AASB September 2023 (M200)
<b>Topic:</b>	<b>Update on international and jurisdictional perspectives</b>	<b>Agenda Item:</b>	12.1
		<b>Date:</b>	13 November 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 5-13)
  - (c) International Sustainability Standards Board (ISSB) (paragraphs 14-16)
  - (d) Task Force on Climate-Related Financial Disclosures (TCFD) (paragraph 17)
  - (e) Taskforce on Nature-related Financial Disclosures (TNFD) (paragraphs 18)
  - (f) Update on selected jurisdictional sustainability reporting perspectives (paragraphs 19-25)
  - (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 September 2023.<sup>1</sup>

## IFRS Foundation

5. The IFRS Foundation's 22nd World Standard-setters Conference was held on 25 and 26 September 2023. Emmanuel Faber, Chair of ISSB, spoke about the use of the IFRS Sustainability Disclosure Standards, and the support that will be available to jurisdictions before the effective date of those Standards in 2024. The ISSB has responded to demands from jurisdictions for implementation support by creating capacity building materials that will be made available at the end of November when the COP28 meeting starts. Adoption guidance will be published by the end of the year.<sup>2</sup>

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1 See September 2023 (M198) [Agenda Paper 12.1 Sustainability Reporting—Update on international and jurisdictional perspectives](#).

2 See the [summary of World Standard-setters Conference 2023](#).

### **IFRS Advisory Council**

6. In November 2023, the Advisory Council were provided with an update on the ISSB's activities and the ISSB adoption strategy.<sup>3</sup>

### **Sustainability Consultative Committee (SCC)**

7. In October 2023, the SCC members discussed their submitted agenda consultation feedback and the future work plan of SCC. They were also provided with:
  - (a) an update on the progress of the ISSB since the last meeting; and
  - (b) an update on the ISSB's anticipated objectives and activities at COP28.<sup>4</sup>

### **Sustainability Standards Advisory Forum (SSAF)**

8. In October 2023, the SSAF members discussed the development of ISSB Educational Material. They were also provided with:
  - (a) an update on the progress of the ISSB since the last meeting;
  - (b) the background information and the preliminary analysis of stakeholders' feedback about the Proposed IFRS Sustainability Disclosure Taxonomy; and
  - (c) the potential agenda topics for the next SSAF meeting, which is tentatively scheduled for March 2024.<sup>5</sup>

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

9. In September 2023, the DPOC considered the due process to be applied to the development of material to support the interoperability of the IFRS Sustainability Disclosure Standards with other relevant Standards, based on the anticipated nature of the material. Examples of this work that the DPOC was briefed about include the work on interoperability with European Sustainability Reporting Standards (ESRS) and the work in relation to GHG emissions disclosures in the Global Reporting Initiative (GRI) Standards. The DPOC noted that interoperability material is designed to assist in navigating the interoperability of the IFRS Sustainability Disclosure Standards with other relevant Standards, It does not add or change requirements in IFRS Sustainability Disclosure Standards. The DPOC therefore agreed that the due process specified for the development of educational material in paragraphs 8.8–8.11 of the Due Process Handbook should apply to the development of the material to support the interoperability of the ISSB Standards. It also agreed that such material is most akin to the material described in paragraph 8.10(c) of the Handbook and therefore that it should be subject to the review of at least three ISSB Board members. In determining the reviewers and number of reviewers, it asked the ISSB leadership to take account of the importance and likely global widespread interest in the material. The DPOC also emphasised it was important that the material is clear about its nature and purpose and explains that that it does not replace the need for entities to read and apply the IFRS Sustainability Disclosure Standards.<sup>6</sup>
10. In October 2023, the DPOC were also provided with:
  - (a) an update on the progress of the ISSB since the last meeting;
  - (b) the *ISSB Consultative Groups—annual review*; and
  - (c) the *ISSB Annual Reporting Protocol*.<sup>7</sup>

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3 See [October 2023 IFRS Advisory Council meeting agenda and meeting papers](#).

4 See [October 2023 Sustainability Consultative Committee meeting agenda and meeting papers](#).

5 See [October 2023 Sustainability Standards Advisory Forum meeting agenda and meeting papers](#).

6 See [September 2023 Due Process Oversight Committee meeting summary](#).

7 See [October 2023 Due Process Oversight Committee meeting agenda and meeting papers](#).

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

11. In October 2023, the ISSB staff sought advice from the ITCG members on the specific proposals in the ISSB Taxonomy:
- (a) proposals related to the granularity of tagging and extracting the narrative information, including the specific categorical elements proposed;
  - (b) proposals related to reflecting the relationship between IFRS S1 and IFRS S2, and tagging disclosures that address requirements in both Standards; and
  - (c) proposals related to metrics and targets, focusing on how best to represent metrics and targets in order to maximise data usefulness and comparability.<sup>8</sup>

### **The Capital Markets Advisory Committee (CMAC)**

12. In October 2023, the CMAC members were provided with an ISSB update, and the AASB and ISSB staff sought the CMAC members' input and advice on the possible actions to help address concerns about reporting on the effects of climate-related and other uncertainties in the financial statements.<sup>9</sup>

### **Global Preparers Forum (GPF)**

13. In November 2023, the GPF members were provided with an ISSB update.<sup>10</sup>

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

14. The ISSB met on 14 September 2023 to discuss comment letters on, and survey responses to, the Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*. The ISSB was not asked to make any decisions, however the discussion indicated that the ISSB would not consider, as part of this project, any of the feedback that falls outside the scope of the intended narrow-scope objective of the project.<sup>11</sup>
15. The ISSB met on 24–25 October 2023 to:
- (a) discuss the International Applicability of the SASB Standards project;
  - (b) receive an update on its work to support the implementation of IFRS S1 and IFRS S2; and
  - (c) receive a work programme update from representatives from the GRI.

The ISSB was not asked to make any decisions.<sup>12</sup>

16. On 11 October, fatal flaw documents were published showing detailed revisions to all SASB Standards. These revisions are partly informed by feedback received in response to the Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*, however as noted previously, the ISSB did not consider feedback it felt was outside of the scope of the intended narrow-scope objective of the project. Feedback to the fatal flaw documents has not been requested from any stakeholders. The documents were made available online until 10 November 2023 for information purposes only. The revisions will not be final until ratified and issued by the ISSB, which is expected in December 2023.<sup>13</sup>

### **Task Force on Climate-Related Financial Disclosures (TCFD)**

17. In October 2023, the TCFD published its sixth and final status report. The report highlights steady momentum in companies disclosing TCFD-aligned information but emphasises more progress is needed. On average for fiscal year 2022, companies reported in line with 5 of the TCFD's 11

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8 See [October 2023 IFRS Taxonomy Consultative Group meeting agenda and meeting papers](#).

9 See [October 2023 Capital Markets Advisory Committee meeting agenda and meeting papers](#).

10 See [November 2023 Global Preparers Forum meeting agenda and meeting papers](#).

11 See [ISSB Update September 2023](#).

12 See [ISSB Update October 2023](#).

13 See the blackline documents on the [SASB.org project page](#).

recommended disclosures. While levels of disclosure are increasing, they still fall short of the 11 recommended disclosures.<sup>14</sup>

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

18. In September 2023, The TNFD published its final Recommendations for nature-related risk management and disclosure. It includes a set of general requirements for nature-related disclosures and a set of recommended disclosures structured around the four pillars of governance, strategy, risk and impact management, and metrics and targets. Importantly, the TNFD Recommendations use double materiality as a basis rather than being focused on financial materiality only.<sup>15</sup>

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

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

19. In October 2023, the FSB published its annual progress report on climate-related disclosures. This report describes the progress made by the ISSB, including its milestone issuance of its inaugural standards in June 2023. It also covers the progress made in the area of assurance, including the work by the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), and the progress made by the International Organization of Securities Commissions (IOSCO) on supporting the work on both disclosure and assurance standards. This report also outlines the progress made by jurisdictions in promoting climate-related disclosure practices, including steps being taken already by jurisdictions to prepare for adopting, applying or otherwise making use of the ISSB's climate-related disclosure Standard. The report also describes the progress made by companies in their disclosures, as reported in the 2023 Status Report of the TCFD. With the ISSB's inaugural Standards having been issued, the TCFD's work is now complete, and the FSB has requested the ISSB assume responsibility for monitoring progress on the state of climate-related financial disclosures by companies as of next year.<sup>16</sup>

#### **International Forum of Accounting Standard Setters (IFASS)**

20. The members of the International Forum of Accounting Standard Setters (IFASS) met 26 - 27 September 2023. The meeting covered the following sustainability-related financial reporting topics:

- (a) Climate-related risks in the financial statements;
- (b) Accounting for carbon offsets and credits;
- (c) Connectivity between financial and sustainability-related financial reporting;
- (d) ISSB consultation on Agenda Priorities and perspectives on interoperability;
- (e) Organisation for Economic Co-operation and Development (OECD) presentation on sustainability reporting matters;
- (f) Sustainability-related financial reporting implementation issues, capacity building; and implementation guidance.<sup>17</sup>

#### **The G20**

21. The welcomed the finalisation of the inaugural IFRS Sustainability Disclosure Standards, and noted it is important that flexibility, to take into account country-specific circumstances, is

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14 See [TCFD 2023 Status Report](#).

15 See the [press release](#) and the [TNFD Recommendations](#) on the TNFD website.

16 See [Progress Report on Climate-related Disclosures: 2023 Report](#).

17 See the [IFASS meeting agenda](#) on the EFRAG website.

preserved in the implementation of the Standards as they support globally comparable and reliable financial disclosures.<sup>18</sup>

**European Union (EU), European Financial Reporting Advisory Group (EFRAG) and European Securities and Markets Authority (ESMA)**

22. In September 2023, EFRAG published [Multi-stakeholder Perspectives on Connectivity: Summary Report](#) at the 2023 European Accounting Association (EAA) Annual Congress on the *Connectivity between financial reporting and sustainability reporting* held on 26 May 2023 in Finland.
23. In October 2023, ESMA published [The Heat is On: Disclosures of Climate-Related Matters in the Financial Statements](#) which included examples of climate-related matters in IFRS-compliant financial statements. The report aims to assist and enhance the ability of preparers to provide more robust disclosures and create more consistency in how climate-related matters are accounted for in IFRS-compliant financial statements. The report focuses on climate-related disclosures included in the 2022 annual financial statements of European non-financial corporate issuers.

**United Kingdom (UK)**

24. The UKEB published two reports arising from its Climate-related Matters Research Project:
- (a) [Climate-Related Matters: Summary of Connectivity Research](#) provides an overview of recent third-party research into connectivity challenges between TCFD recommended disclosures (a proxy for the disclosures required by IFRS S2) and the financial statements.
  - (b) [A Study in Connectivity: Analysis of 2022 UK Company Annual Reports](#) provides a deep-dive analysis from an investor's perspective of potential connectivity challenges and includes stakeholder feedback on possible causes.

**Brazil**

25. In October 2023, the Brazilian Ministry of Finance and the Comissão de Valores Mobiliários (CVM) announced that the International Sustainability Standards Board's (ISSB) IFRS Sustainability Disclosure Standards will be incorporated into the Brazilian regulatory framework, setting out a roadmap to move from voluntary use starting in 2024 to mandatory use for reporting periods beginning on or after 1 January 2026.<sup>19</sup>

**Question to Board members**

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

<sup>18</sup> See [G20 New Delhi Leaders' Declaration](#).

<sup>19</sup> See [Brazil adopts ISSB global baseline, as IFRS Foundation Trustees meet in Latin America](#).