



Project:	Sustainability Reporting	Meeting	AASB April 2022 (M186)
Topic:	Cover memo	Agenda Item:	3.1
		Date:	22 March 2022
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		Decision-Making:	High
		Project Status:	Project plan development

Background and objective

- 1 At its February 2022 meeting, the Board decided to add a Sustainability Reporting project to its work program¹.
- 2 The objective of this meeting is to:
 - (a) provide an **education session** for the Board of the content of the prototype sustainability reporting standards as published by the IFRS Foundation's Technical Readiness Working Group (TRWG)—refer to Agenda Papers 3.3 and 3.4;²
 - (b) **consider** the intended scope of the Sustainability Reporting project—refer to Agenda Paper 3.2; and
 - (c) provide a verbal update on any further international and selected jurisdictional developments since the Board's February 2022 meeting.
- 3 The Board made the following preliminary decisions to assist staff in developing the draft project plan:³
 - (a) 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;
 - (b) 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;

¹ For further details refer to the [Sustainability Reporting Project Summary](#).

² Note that staff anticipate that exposure drafts of these prototype standards will be published in the last week of March.

³ See February 2022 (M185) Agenda Papers [3.8 Positioning sustainability reporting requirements in Australia](#) and [3.9 The proposed Australian perspective](#).

- (c) 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 initial project development; and
 - (d) apply its existing [Due Process Framework for Setting Standards](#) to preliminary work on the Sustainability Reporting project.
- 4 The Board also discussed the importance of clarifying the scope of the Sustainability Reporting project. In particular, the Board asked staff to further clarify the intended scope of the Board’s work on sustainability reporting.

Attachments and structure of Board papers

- 5 This meeting is structured as follows⁴:
- (a) **Agenda Paper 3.2 Proposed project scope**—this paper provides staff analysis and recommendations on the potential scope of the Sustainability Reporting project;
 - (b) **Agenda Paper 3.3 Climate-related Disclosures Prototype**—prepared by the Value Reporting Foundation, this paper provides an overview of the TRWG’s *Climate-related Disclosures* prototype standard and supplement;
 - (i) Agenda Paper 3.3.1 TRWG *Climate-related Disclosures* prototype standard;
 - (ii) Agenda Paper 3.3.2 TRWG *Climate-related Disclosures* Prototype—Supplement: *Technical Protocols for Disclosure Requirements*.
 - (c) **Agenda Paper 3.4 General Requirements for Disclosure of Sustainability-related Financial Information Prototype**—this paper provides an overview of the TRWG’s *General Requirements for Disclosure of Sustainability-related Financial Information* prototype standard;
 - (i) Agenda Paper 3.4.1 TRWG *General Requirements for Disclosure of Sustainability-related Financial Information* prototype standard.

Next steps

- 6 Staff anticipate that the exposure drafts of the TRWG’s *Climate-related Disclosures* and *General Requirements for Disclosure of Sustainability-related Financial Information* prototypes will be published in the last week of March. Staff also expect that the comment period will be 120 days or less.

Outreach plan

- 7 In order 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:⁵
- (a) **Proactive stakeholder engagement**—for example, through one-on-one meetings, meetings with existing AASB advisory committees and requesting submissions directly from sustainability reporting stakeholders. Staff intend to target specifically:

⁴ Key questions for consideration by Board members are in Agenda Paper 3.2 *Proposed project scope*.

⁵ Where appropriate to do so staff will also include and liaise with the Auditing and Assurance Standards Board as part of all planned outreach.

- (i) those stakeholders (both accounting and non-accounting) that provided feedback on sustainability reporting in their responses to ITC 46 *AASB Agenda Consultation 2022-2026* and ITC 48 *Extended External Reporting* 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, staff expect the ISSB to publish industry-based metrics as part of the exposure draft addressing climate-related disclosures. With reference to the TRWG prototypes, staff also expect that these metrics will be based on the existing industry-specific metrics and definitions (or technical protocols) developed by the Sustainability Accounting Standards Board (SASB). 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 what the reporting outcomes of the proposed standards will be, staff intend to seek both accounting and non-accounting volunteers to implement the proposed standards and provide examples of what the reporting outcomes will look like.

8 Note that the above outreach plan may require adjustment depending on the comment period proposed by the ISSB.

Question to Board members

Q1: Do Board members have any comments on the proposed outreach plan?

Future Board meetings

9 At the May AASB meeting, staff will:

- (a) bring a draft project plan for the Board’s consideration; and
- (b) depending on the timing of publication of the two expected exposure drafts and the proposed comment period (see paragraphs 6 and 8), bring key points relating to potential submissions (or submission) to the ISSB exposure drafts for discussion.