



Project:	Sustainability Reporting	Meeting:	AASB June 2023 (M196)
Topic:	ISSB Request for Information <i>Consultation on Agenda Priorities</i>	Agenda Item:	13.0
		Date:	6 June 2023
Contact(s):	Tom Frick tfrick@asb.gov.au Siobhan Hammond shammond@asb.gov.au	Project Priority:	High
		Decision-Making:	High
		Project Status:	Decide on approach to responding to ISSB's Request for Information

Objective

- 1 The objective of this paper is for the Board to decide on its approach to responding to the International Sustainability Standards Board's (ISSB) [Request for Information Consultation on Agenda Priorities](#) (RFI).

Attachments

Agenda Paper 13.1 Request for Information *Consultation on Agenda Priorities*

Structure

- 2 This paper is structured as follows:
 - (a) Summary of staff recommendation (paragraph 3)
 - (b) Background (paragraphs 4-5)
 - (c) Overview of the Request for Information (paragraphs 6-7)
 - (d) Staff analysis (paragraphs 8-14)
 - (e) Approach to responding to the Request for Information (paragraph 15-16)

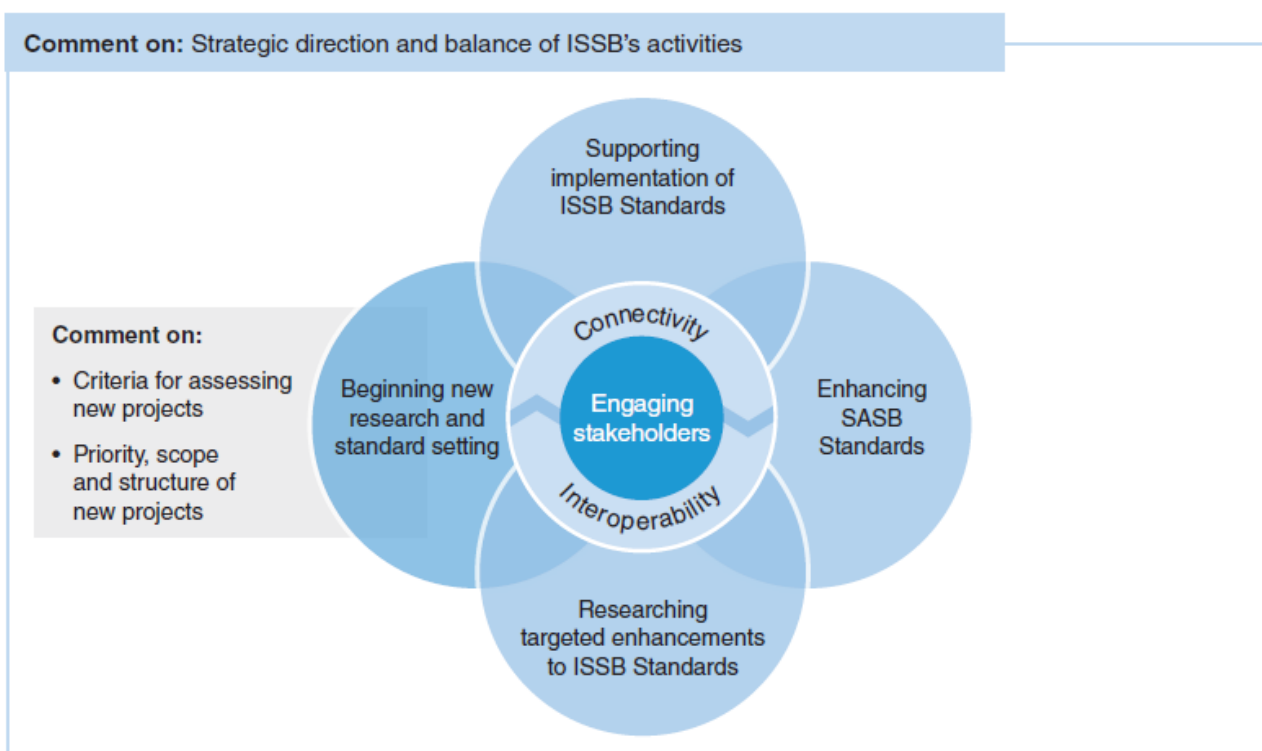
Summary of staff recommendation

- 3 Staff recommend that the AASB's submission to the ISSB in response to the RFI focuses on the key issues identified in paragraphs 8-13.

Background

- 4 In May 2023 the ISSB published a Request for Information *Consultation on Agenda Priorities*. Responses to the RFI will help the ISSB prioritise its activities for a two-year period, and asks stakeholder for feedback on:
 - (a) the strategic direction and balance of the ISSB's activities;
 - (b) the suitability of criteria for assessing which sustainability-related financial matters (including topics, industries and activities) to prioritise and add to the ISSB's work plan; and

- (c) a proposed list of new research and standard-setting projects that could be added to the ISSB’s work plan.



- 5 The RFI is open for comment for a 120-day comment period, with comments due to the ISSB by 1 September 2023.

Overview of the Request for Information

- 6 Informed by existing research and public outreach, and considering the ISSB’s estimated capacity for new research and standard-setting projects, the ISSB has prioritised the following four potential sustainability-related financial reporting projects, which are the focus of the RFI:

(a) **biodiversity, ecosystems and ecosystem services;**

- (i) *Biodiversity* is the variability among living organisms from all sources including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part. This includes diversity within species, between species and ecosystems.¹
- (ii) *Ecosystems* are a dynamic complex of plant, animal and microorganism communities and the non-living environment, interacting as a functional unit.¹ Examples include deciduous temperate forests, coastal river deltas, tropical flooded forests and peat forests, and intertidal forests and shrublands.
- (iii) *Ecosystem services* are the contributions of ecosystems to the benefits that are used in economic and other human activity.²

- (b) **human capital**—refers to the people who make up an entity’s own workforce, and, consistent with the Integrated Reporting Framework, the workforce’s respective competencies, capabilities and experience, and motivations to innovate;

¹ See [1992 UN Convention on Biological Diversity](#).

² See [2021 UN System of Environmental-Economic Accounting – Ecosystem Accounting](#).

- (c) **human rights**—refers to the basic rights and freedoms that belong to every person by virtue of being a human being;³ and
- (d) **integration in reporting**—refers to the creation of an integrated, coherent and comprehensive system of corporate reporting that provides a holistic and transparent view of how an entity creates value over time.

7 To assess whether each potential project should be added to the ISSB’s work plan, the ISSB will consider whether the project will meet the information needs of investors in making decisions about providing resources to an entity, consistent with the objective of [Draft] IFRS S1. The ISSB will use the following criteria to do so:

- (a) the importance of the matter to investors;
- (b) whether there are any deficiencies in the way companies disclose information on the matter;
- (c) the types of companies that the matter is likely to affect, including whether the matter is more prevalent in some industries and jurisdictions than others;
- (d) how pervasive or acute the matter is likely to be for companies;
- (e) how the potential project interconnects with other projects in the work plan;
- (f) the complexity and feasibility of the potential project and its solutions; and
- (g) the capacity of the ISSB and its stakeholders to progress the project in a timely way.

Staff analysis

8 Staff have analysed the RFI and identified the following key issues to be highlighted as part of a submission to the ISSB.

9 Staff are of the view the topics raised by the four potential sustainability-related financial reporting projects identified in the RFI are suitable topics for the ISSB to engage in further research to determine whether they would be suitable topics for future standard-setting activities.

10 Staff are also of the view that the RFI’s criteria for assessing the priority of new research and standard-setting projects that could be added to the ISSB’s work plan, referred to in paragraph 7 of this paper, are appropriate for use.

11 However, staff are not supportive of the ISSB commencing any standard-setting activities relating to any of the four potential sustainability-related financial reporting projects during the proposed two-year time frame, due to:

- (a) the additional burden that would be placed on preparers if new IFRS Sustainability Disclosure Standards were introduced within the next two years; and
- (b) the pace of the ISSB’s development of IFRS Sustainability Disclosure Standards, which means that national standard-setters, including the AASB, are unable to support the ISSB by obtaining high-quality feedback from stakeholders on proposals and standards development due to stakeholder fatigue.

12 The scope of the potential sustainability-related financial reporting project relating to biodiversity, ecosystems and ecosystem services (BEES) is broad and contains a number of subtopics that may be best covered through separate standard development. For example, ecosystem services alone potentially includes subtopics of climate regulation, provisions of raw materials and water, pollination, and pest and flood control. Consequently, staff are of the view that the BEES topic should be broken down into multiple projects rather than addressed as a single project.

³ See [1948 UN Universal Declaration of Human Rights](#).

- 13 Finally, staff are of the view that the ISSB should prioritise the successful implementation of [Draft] IFRS S1 and [Draft] IFRS S2 before beginning new research and standard-setting projects to ensure that climate-related financial disclosure requirements are successfully implemented globally.

Staff recommendation and question to Board members

- 14 Staff recommend that the AASB's submission to the ISSB in response to the RFI focuses on the key issues identified in paragraphs 8-13.

Question to Board members

Q1: Do Board members agree with the staff recommendation in paragraph 14 that the AASB's submission to the ISSB's RFI focus on the key issues identified in paragraphs 8-13?

Approach to responding to the Request for Information

- 15 Staff consider that it is not necessary to engage in outreach with Australian stakeholders to inform the Board's response to the RFI for the following reasons:
- (a) As part of its *Agenda Consultation 2022-2026*, the Board asked stakeholders about sustainability reporting and what sustainability-related topics should be prioritised. Australian stakeholders have already provided feedback to the Board on what topics, following climate, would be considered a priority to them. For example, many respondents to the invitation to comment on the *Agenda Consultation 2022-2026* highlighted the following topics that, in their view, are equally important as climate:⁴
- (i) biodiversity;
 - (ii) indigenous and human rights;
 - (iii) modern slavery;
 - (iv) cybersecurity and data privacy and management; and
 - (v) environment and nature.
- Consequently, staff are of the view that additional public consultation with Australian stakeholders would not identify any new information for consideration in developing a response to the ISSB's RFI.
- (b) The Board raised stakeholder fatigue as being a high risk in the [Climate-related Financial Disclosure Project Plan](#). To help mitigate the risk of stakeholder fatigue, and taking into consideration point (a) above, staff are of the view that the Board would not need to engage in outreach to inform or develop a response to the RFI.⁵ Furthermore, at this stage staff consider that obtaining feedback from the Board's stakeholder base on a future domestic public consultation on its Climate-related Financial Disclosure project should be prioritised.
- 16 That is, to help manage stakeholder fatigue staff propose that the Board does not develop an outreach plan to inform its response to the ISSB's RFI and instead use existing feedback to its *Agenda Consultation 2022-2026*.

⁴ See [February 2022 \(M185\) Agenda Paper 3.4 Sustainability Reporting: Feedback summary—ITC 46 AASB Agenda Consultation 2022-2026](#).

⁵ Staff note that Australian stakeholders have the opportunity to provide feedback on the RFI by responding directly to the ISSB if they wish.

Questions to Board members

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Q2: Do Board members agree with the staff's proposed approach to responding to the ISSB's RFI discussed in paragraphs 15-16?

Q3: Given the priority for the Board when it next meets in August 2023 will be on its Climate-related Financial Disclosure project, staff anticipate that the response to the RFI will need to be finalised out of session. Do Board members wish to appoint the Chair or a subcommittee to finalise a response out of session?