



<b>Project:</b>	<b>Sustainability Reporting</b>	<b>Meeting</b>	AASB November 2022 (M191)
<b>Topic:</b>	<b>Update on international and jurisdictional perspectives</b>	<b>Agenda Item:</b>	3.3
		<b>Date:</b>	25 October 2022
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		<b>Decision-Making:</b>	None
		<b>Project Status:</b>	Consider feedback from outreach activities

## 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 (paragraph 5)
  - (c) International Sustainability Standards Board (paragraphs 6-16)
  - (d) Global Reporting Initiative (paragraphs 17-18)
  - (e) Task Force on Climate-related Disclosures (paragraph 19)
  - (f) International Public Sector Accounting Standards Board (paragraphs 20-22)
  - (g) Update on selected jurisdictional sustainability reporting perspectives (paragraphs 23-30)
  - (h) Question to Board members.

## Background

- 4 The Board was provided with an overview of international and jurisdictional developments on sustainability-related financial reporting at its February, May, August and September 2022 meetings.<sup>1</sup> This paper provides an update on those developments since the Board's meeting in September 2022.

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<sup>1</sup> See February 2022 (M185) [Agenda Papers 3.2 Background to global sustainability reporting](#) and [3.3 Australian and selected jurisdictional perspectives](#), May 2022 (M187) [Agenda Paper 6.3 Update on selected international and jurisdictional perspectives](#), August 2022 (M189) [Agenda Paper 6 Update on international](#)

## IFRS Foundation

- 5 In October 2022 the IFRS Foundation announced membership of the ISSB Technical Reference Group. The group brings together experts from the technical groups of the former Climate Disclosure Standards Board and Value Reporting Foundation (which are now part of the IFRS Foundation). It will provide technical advice and support to the ISSB and its technical staff, initially for a one-year period.<sup>2</sup>

## International Sustainability Standards Board (ISSB)

- 6 The ISSB has held two meetings following the AASB's September 2022 meeting (M190):<sup>3</sup>
- (a) September 2022—the ISSB met in Frankfurt, Germany to discuss the feedback received on Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2. The ISSB also commenced its discussion on how to address the feedback received; and
  - (b) October 2022—the ISSB met in Montreal, Canada to discuss their upcoming agenda consultation, redeliberations on [Draft] IFRS S1 and [Draft] IFRS S2 and the ISSB staff's draft plan to advance SASB's industry-based materials.
- 7 The ISSB will next meet 14-18 November 2022.

### ISSB's plan for redeliberations

- 8 At its September 2022 meeting, the ISSB commenced its discussion on how to address the feedback received on [draft] IFRS S1 and [draft] IFRS S2. The ISSB received 720 survey responses and comment letters on [draft] IFRS S1 and 690 survey responses and comment letters on [draft] IFRS S2.<sup>4</sup> ISSB staff used five main factors in deciding how to approach the project redeliberations:<sup>5</sup>
- (a) timeliness and maintaining momentum;
  - (b) leveraging existing sustainability-related financial frameworks and standards;
  - (c) linkages between topics;
  - (d) future work plan; and
  - (e) efficiency.
- 9 Based on those five factors, ISSB staff developed the following general approach to project redeliberations:<sup>3</sup>
- (a) assess feedback on the Exposure Drafts—the assessment of feedback was summarised in the ISSB's July 2022 and September 2022 meetings;<sup>6</sup>

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[and jurisdictional perspectives](#), and September 2022 (M190) [Agenda Paper 3.2 Update on international and jurisdictional perspectives](#).

<sup>2</sup> See [IFRS - ISSB Technical Reference Group members confirmed](#) (14 October 2022).

<sup>3</sup> See also AASB September 2022 (M190) [Agenda Paper 3.2 Update on international and jurisdictional perspectives](#).

<sup>4</sup> See ISSB September 2022 [Agenda Paper 3A General Sustainability-related Disclosures: Summary of comments](#) and [Agenda Paper 4A Climate-related Disclosures: Summary of comments](#).

<sup>5</sup> See ISSB September 2022 [Agenda Paper 3B & 4B General Sustainability-related Disclosures and Climate-related Disclosures: Plan for redeliberations](#).

<sup>6</sup> See ISSB July 2022 [Agenda Paper 2 Overview of Exposure Drafts \(S1 and S2\) and feedback received as at 7 July 2022](#) and September 2022 [Agenda Paper 3A](#) and [Agenda Paper 4A](#).

- (b) establish the scope of topics for redeliberation and indicative timeline for decision-making (see paragraph 10);
- (c) establish the approach on topics for redeliberation—where the ISSB has confirmed a topic for redeliberation, the ISSB staff plan to approach redeliberations using the following approaches:
  - (i) In instances where a matter is less complex, the ISSB staff may bring analysis and recommendations and ask to the ISSB to make a decision in a single meeting; and
  - (ii) In instances where a matter is more complex, the ISSB staff proposed a staged approach to deliberations. Using this approach, the ISSB staff would initially bring a paper to discuss the feedback received in the context of the proposal and seek a discussion of whether there is a need to consider modifications and/or a range of alternative approaches.

10 The ISSB agreed with the staff recommendation to redeliberate the following topics:<sup>7</sup>

- (a) topics for redeliberation relevant to both [draft] IFRS S1 and [draft] IFRS S2:
  - (i) scalability;
  - (ii) current and anticipated effects of sustainability-related and climate-related risks and opportunities on an entity's financial performance, financial position and cash flows;
- (b) topics for redeliberation relevant to [draft] IFRS S1:
  - (i) enterprise value;
  - (ii) breadth of reporting required;
  - (iii) significant sustainability-related risks and opportunities;
  - (iv) identifying significant sustainability-related risks and opportunities and disclosures (including using materials of other standard setters);
  - (v) application of the definition of material;
  - (vi) connected information;
  - (vii) frequency of reporting;
  - (viii) comparative information on changes in estimates;
- (c) topics for redeliberation relevant to [draft] IFRS S2:
  - (i) strategy and decision-making, including transition planning;
  - (ii) climate resilience;
  - (iii) greenhouse gas emissions; and
  - (iv) industry-based requirements including financed and facilitated emissions.

### **Scalability**

11 At its September 2022 meeting the ISSB decided on the following factors to assess which scalability mechanisms are appropriate for responding to specific scalability challenges:<sup>8</sup>

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<sup>7</sup> See ISSB September 2022 [Agenda Paper 3B & 4B](#).

<sup>8</sup> See ISSB September 2022 [Agenda Paper 3C & 4C General Sustainability-related Disclosures and Climate-related Disclosures: Scalability](#).

- (a) whether the scalability challenges are temporary (in other words transitional) or more permanent (for example, due to data availability);
- (b) the extent to which the set of entities with a scalability challenge can be specifically identified;
- (c) the extent of available market guidance, methods, industry-practices and techniques; and
- (d) the maturity of the underlying methods and techniques that underpin the disclosure requirement.

### Fundamental concepts

12 At its October 2022 meeting the ISSB made the following decisions on the fundamental concepts of [Draft] IFRS S1:<sup>9</sup>

- (a) **Primary users of sustainability-related financial information**—the ISSB confirmed that the primary users to which IFRS Sustainability Disclosure Standards refer are the primary users of general purpose financial reports being ‘existing and potential investors, lenders and other creditors’ as defined in the IFRS Foundation’s *Conceptual Framework for Financial Reporting*.
- (b) **Remove enterprise value from the objective and definition of materiality**—the ISSB decided to:
  - (i) remove the definition of enterprise value from [Draft] IFRS S1;
  - (ii) remove the reference to enterprise value in the objective of [Draft] IFRS S1; and
  - (iii) remove the reference to enterprise value in the definition of material in [Draft] IFRS S1.
- (c) **Significant**—the ISSB decided to remove the term ‘significant’ and the phrase ‘all significant’ in relation to sustainability-related risks and opportunities.
- (d) **Breadth of reporting (i.e. value chain)**—the ISSB decided to make no changes to the proposed definitions of ‘value chain’ and ‘reporting entity’.

### Interoperability

13 At its October 2022 meeting the ISSB made the following decisions in relation to the interoperability of [Draft] IFRS S1 and [Draft] IFRS S2 and other sustainability-related frameworks and standards and jurisdictional requirements such as the European Sustainability Reporting Standards (ESRS):<sup>10</sup>

- (a) **Overarching matters**—the ISSB confirmed:
  - (i) that the structure of IFRS Sustainability Disclosure Standards would use the four-pillar approach developed by the Task Force on Climate-related Financial Disclosures (TCFD)—the four pillars being governance, strategy, risk management and metrics and targets; and
  - (ii) that ‘global baseline’ means delivering a comprehensive set of standards that will result in disclosures that can be presented alongside information

<sup>9</sup> See ISSB October 2022 [Agenda Paper 3B General Sustainability-related Disclosures—Fundamental concepts](#).

<sup>10</sup> See ISSB October 2022 [Agenda Paper 3C and 4D General Sustainability-related and Climate-related Disclosures—Interoperability – key matters](#).

disclosed to meet other requirements, such as that required by jurisdictional legislation and regulation;

- (b) **[Draft] IFRS S1**—the ISSB decided not to define what is meant by short-, medium- and long-term time horizons;
- (c) **[Draft] IFRS S2: current effects**—the ISSB decided to confirm:
  - (i) that proposed disclosures related to the current effects of climate-related risks and opportunities on the entity’s financial position, financial performance and cash flows for the reporting period would not be removed from [Draft] IFRS S2;
  - (ii) that separate disclosures are not required for physical risks, transition risks and climate-related opportunities, except as proposed in paragraphs 21(b)-(d) of [Draft] IFRS S2; and
  - (iii) that separate disclosures be required about assets subject to physical and transition risks and climate-related opportunities, in the form of metrics as proposed in paragraph 21(b)-(d) of [Draft] IFRS S2;
- (d) **[Draft] IFRS S2: climate-related scenario analysis**—the ISSB decided:
  - (i) to amend the proposals in paragraph 15 of [Draft] IFRS S2 to add a requirement to disclose whether and how an entity uses climate-related scenario analysis to inform the identification of climate-related risks and opportunities;
  - (ii) not to amend the proposal in paragraph 15(a) of [Draft] IFRS S2 which requires an entity to disclose the results of, and other particular information about, its analysis of climate-related scenarios;
  - (iii) not to amend the proposal in paragraph 15(b) of [Draft] IFRS S2 which requires an entity to disclose how the climate-related scenario analysis has been conducted; and
  - (iv) not to amend the proposal in paragraph 15(b)(i)(4) of [Draft] IFRS S2 which requires an entity to disclose whether it has used a climate-related scenario aligned with the latest international agreement on climate change<sup>11</sup>;
- (e) **[Draft] IFRS S2: carbon offsets**—the ISSB decided:
  - (i) to amend the proposals in [Draft] IFRS S2 to refer to ‘carbon credits’ instead of ‘carbon offsets’;
  - (ii) not to remove the requirement for an entity to disclose the intended use of carbon credits; and
  - (iii) to amend the proposals in [Draft] IFRS S2 to clarify that an entity’s net emissions target(s) and intended use of carbon credits should be disclosed separately from the entity’s gross emission reduction target(s);
- (f) **[Draft] IFRS S2: targets**—the ISSB decided to amend the proposals in [Draft] IFRS S2 to clarify:
  - (i) the different types of targets—in particular, that a climate-related target is set by an entity to address aspects of its climate-related risks and opportunities; and

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<sup>11</sup> [Draft] IFRS S2 defines the latest international agreement on climate change as ‘the latest international agreement on climate change is an agreement by states, as members of the United Nations Framework Convention on Climate Change to combat climate change. The agreements set norms and targets for a reduction in greenhouse gases.’

- (ii) that an entity is required to disclose any emissions targets it has set (both net emission targets and gross emissions reduction targets) and those it is required to meet by national or regional legislation.
- (g) [Draft] IFRS S2: Industry-based proposals in Appendix B to [Draft] IFRS S2—the ISSB decided to:
  - (i) maintain the requirement that entities provide industry-specific disclosures; and
  - (ii) classify the content in Appendix B as illustrative examples in the short-term, while stating its intention to make Appendix B mandatory in the future, subject to further consultation.

### **Greenhouse gas (GHG) emissions**

14 At its October 2022 meeting the ISSB made the following decisions in relation to the proposals on GHG emissions disclosures:<sup>12</sup>

- (a) **Scope 1 and Scope 2 GHG emissions**—the ISSB decided to proceed with:
  - (i) the requirements for an entity to disclose its absolute gross Scope 1 and Scope 2 GHG emissions generated during the reporting period;
  - (ii) but develop amendments to clarify the proposed requirements for an entity to provide separate disclosure for the consolidated accounting group; and
  - (iii) but develop amendments to clarify the proposed requirements for an entity to disclose the approach used to include Scope 1 and Scope 2 GHG emissions for entities outside the consolidated accounting group, and an explanation of how the approach relates to the objective of the proposed requirement.
- (b) **Scope 3 GHG emissions**—the ISSB decided to:
  - (i) proceed with the proposal to require an entity to disclose its Scope 3 GHG emissions (including confirmation that this includes consideration of the 15 Scope 3 GHG emissions categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard;
  - (ii) address the data availability and data quality challenges raised by respondents to the Exposure Draft on [Draft] IFRS S2 by considering:
    - developing transition requirements which would provide relief for disclosing Scope 3 GHG emissions in early reporting periods;
    - collaborating with jurisdictional regulators to support jurisdictional safe harbour provisions for Scope 3 GHG emissions disclosure; and
    - developing an amendment to the proposals in [Draft] IFRS S2 to introduce data quality tiers related to Scope 3 GHG emissions disclosures;
  - (iii) assist preparers in the application of the proposed requirement to disclose their Scope 3 GHG emissions by considering the development of:
    - implementation guidance for Scope 3 GHG emissions;

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<sup>12</sup> See ISSB October 2022 [Agenda Paper 4A Climate-related Disclosures—Scope 1 and Scope 2 greenhouse gas emissions](#), [Agenda Paper 4B Climate-related Disclosures—Scope 3 greenhouse gas emissions](#), and [Agenda Paper 4C Climate-related Disclosures—Greenhouse gas emissions measurement methods](#).

- an amendment to the Scope 3 GHG emissions proposals to specify when the ‘scope’ of the Scope 3 GHG emissions disclosures must be reassessed; and
  - an amendment to the Scope 3 GHG emissions proposals to what a preparer can do when reporting cycles for entities in the value chain do not align with each other and/or with that of the preparer.
- (c) **GHG emissions measurement methods**—the ISSB decided to develop an amendment to provide relief to the proposed requirement for an entity to measure and disclose its Scope 1, Scope 2 and Scope 3 GHG emissions in accordance with the GHG Corporate Protocol Standard (GHGC Protocol Standard) in the following specific circumstances:
- (i) where an entity uses a GHG emissions measurement method that is different from the GHG Protocol Standards, the entity may continue to use that measurement method for a defined period following the effective date of the requirement; and
  - (ii) when an entity is required by jurisdictional or other authorities to use a GHG emissions measurement method that differs from the GHGC Protocol Standards, the entity be permitted to continue to use that measurement method, so long as it is required.

#### ISSB agenda consultation

- 15 At its October 2022 meeting the ISSB discussed the ISSB staff’s recommended approach to the consultation on agenda priorities, including the distinction between work which builds on the foundation of [Draft] IFRS S1 and [Draft] IFRS S2 and new research and standard-setting projects. In particular, the ISSB staff’s preliminary recommended approach is to defer the agenda consultation to H1 2023.<sup>13</sup>

#### Industry-based requirements

- 16 At its October 2022 the ISSB discussed the ISSB staff’s draft plan for navigating decisions related to the SASB’s industry-based requirements and Standards.<sup>14</sup>

Q4 2022	The ISSB will discuss and decide on the preliminary staff recommendation to maintain the proposed requirement for preparers to refer to (or consider) the SASB Standards in paragraph 51 of [Draft] IFRS S1.
Q4 2022	The ISSB will discuss and decide on the preliminary staff recommendation that the status of Appendix B to [Draft] IFRS S2 be amended to be non-mandatory implementation guidance until such a time as the ISSB has performed additional research, consultation and revisions.
Q1 2023	The ISSB will discuss and decide on the preliminary staff recommendation to include legacy SASB projects (and the international applicability of SASB Standards) as 'foundational' work in connection with the ISSB’s future agenda consultation.

<sup>13</sup> See ISSB October 2022 [Agenda Paper 2 ISSB Consultation on Agenda Priorities: Update on planned approach](#).

<sup>14</sup> See ISSB October 2022 [Agenda Paper 6 Industry-based materials](#).

Q1 2023	The ISSB will discuss the potential improvements to the international applicability of the SASB Standards addressing topics beyond climate.
Q2-3 2023	The ISSB will publicly consult on changes to address the international applicability of the SASB Standards addressing topics beyond climate.
Q2-3 2023	The ISSB will publish exposure drafts of proposed changes to five SASB Standards in connection with the three active SASB projects on which the former SASB members previously published 'recommended changes'.
Q4 2023	The ISSB will issue updates to SASB Standards that improve their international applicability.
2024 and beyond	The ISSB will continue research, consultation and revisions to other SASB Standards to evolve them into industry-based requirements in the future.
2025	The ISSB will issue exposure drafts of industry-based requirements derived from the SASB Standards as new IFRS Sustainability Disclosure Standards.

## Global Reporting Initiative (GRI)

17 Since the Board's September 2022 meeting, the Global Sustainability Standards Board (GSSB)—the GRI's standard-setting body—met on 15 September 2022 and 18-19 October 2022. The following topics were discussed:

- (a) September 2022—the GSSB:
- (i) Discussed an update from the GRI Standards Division on:
- the progress of the development of the new sector standard on mining. GRI staff expect a draft of the proposed standard to be published by the end of 2022 for public consultation in Q1 2023.
  - an anticipated update of the GRI's climate-related requirements which will commence after the update for labour-related requirements has been completed.
  - the progress of the GRI's work on the revision of GRI 304 *Biodiversity* (2016). GRI staff expect a draft of biodiversity-related requirements to be published by the end of 2022 for public consultation in Q1 2023.
  - Collaboration work with the ISSB. GRI staff expect that, by the end of 2022 they should have agreed on joint projects with the ISSB.
  - Collaboration work with the European Financial Reporting Advisory Group. In addition to collaborating with the ISSB, GRI staff said they would also be seeking to align the work plan of European Union's Corporate Sustainability Reporting Directive (EU CSRD) with the GRI.
- (ii) Discussed an update on phase 2 of the Labour project and approved the proposed project plan which was presented to the GSSB at its July 2022 meeting—the GSSB discussed the Terms of Reference and membership for



the proposed technical committee that will be responsible for this project and approved the proposed project plan.<sup>15</sup>

- (iii) Discussed an update on the Work Program 2023-2025—GRI staff expect to publish the proposed Work Program 2023-2025 for public consultation in November 2022 for public consultation. GRI staff will seek to commence delivering feedback on the proposed topics in its Work Program 2023-2025 to the GSSB in February 2023.
  - (iv) Held an education session on transparency related to land acquisition and resettlement.
- (b) October 2022—the GSSB discussed:
- (i) the GSSB Work Program 2023-2025;<sup>16</sup>
  - (ii) the Draft project proposal for the development of a GRI Sector Standard addressing the financial services sector;<sup>17</sup>
  - (iii) the GRI Sector Program: list of prioritised sectors (for input into the GSSB Work Program 2023-2025);<sup>18</sup>
  - (iv) updates from international standard setters—ISSB, International Ethics Standards Board for Accountants (IESBA), International Auditing and Assurance Standards Board (IAASB), and International Public Sector Accounting Standards Board (IPSASB).

18 The GSSB will next meet on 17 November 2022.

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

19 In October 2022 the TCFD published its [2022 Status Report](#). The 2022 Status Report was based on a survey conducted by the TCFD and a review of publicly available reports for over 1,400 large companies in specific sectors around the world over a three-year and five-year period. The 2022 Status Report highlighted the following findings:

- (a) For fiscal year 2021 reporting, 80% of companies disclosed in line with at least one of the 11 TCFD Recommendation; however, only 4% disclosed in line with all 11 TCFD Recommendations and only around 40% disclosed in line with at least five.
- (b) All regions have increased their levels of disclosure over the past three years. In particular, the average level of disclosure across the 11 TCFD Recommendations for:
  - (i) European companies was 60% for fiscal year 2021—an increase of 23 percentage points since fiscal year 2019;
  - (ii) Asia-Pacific companies was 36% for fiscal year 2021—an increase of 11 percentage points; and
  - (iii) North American companies was 29% for fiscal year 2021—an increase of 12 percentage points.
- (c) Over 60% of asset managers and over 75% of asset owners the TCFD surveyed indicated they currently report climate-related information to their clients and beneficiaries, respectively. TCFD noted that the majority of asset managers report

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<sup>15</sup> See GSSB September 2022 [Item 02 GRI Topic Standard Project for Labour—Proposed members for the technical committee](#) and [Item 03 GRI Topic Standard Project for Labour—Terms of Reference](#).

<sup>16</sup> See GSSB October 2022 [Item 02 Discussion paper GSSB draft Work Program 2023-2025](#).

<sup>17</sup> See GSSB October 2022 [Item 03 GRI Sector Standards Project for Financial Services—Draft project proposal](#).

<sup>18</sup> See GSSB October 2022 [Item 04 GRI Sector Program—List of prioritised sectors](#).

through sustainability reports or directly to clients, while the majority of asset owners report through annual, sustainability, or climate-specific reports.

- (d) Based on TCFD survey responses, 60% of asset managers and nearly 80% of asset owners indicated they report information aligned with at least of the TCFD Recommendations, whereas only 9% of asset managers and 36% of asset owners report on 10 of the TCFD Recommendations. None indicated they report on all 11 of the TCFD Recommendations.
- (e) Based on the TCFD survey, over 70% of companies implementing the TCFD Recommendations disclosed climate-related information in financial filings or annual reports (including integrated reports) for fiscal year 2021 compared to 45% for fiscal year 2017.
- (f) The availability and quality of climate-related financial disclosures has increased since June 2017. Ninety-five percent (95%) of TCFD survey respondents observed an increase in the availability of climate-related financial disclosures since the release of the TCFD Recommendations, with 88% of respondents citing improvements in the quality of disclosures.
- (g) Based on the TCFD survey, 90% of investors and other users incorporate climate-related financial disclosures in financial decision-making, and 66% of these indicated such disclosures factor into the way they price financial assets. In addition, based on a literature review by the TCFD, there is a growing body of evidence that climate-related risks are beginning to affect prices for certain types of assets.

### **International Public Sector Accounting Standards Board (IPSASB)**

- 20 In May 2022 the IPSASB published a Consultation Paper on [Advancing Public Sector Sustainability Reporting](#) for public consultation. The comment period closed on 9 September 2022.<sup>19</sup>
- 21 In September 2022 the IPSASB announced it had received strong overall engagement and feedback from stakeholders globally on the proposals in the Consultation Paper. In addition to supporting the main proposals, a preliminary overview of the feedback strongly encouraged collaboration between IPSASB and other international standard setters, particularly the ISSB and the Global Reporting Initiative (GRI), in using its current processes to ensure that new guidance addresses public sector needs while maximising consistency with sustainability frameworks globally. The IPSASB will continue to analyse the written submissions in detail, and to progress discussions with key stakeholders, including potential funders, in order to decide at its December 2022 meeting on whether to proceed in 2023 with the development of public sector sustainability reporting guidance.<sup>20</sup>
- 22 In the interim, the IPSASB will issue an Exposure Draft, ED 83 *Reporting Sustainability Program Information—RPGs1 and 3: Additional Non-authoritative Guidance*, in October 2022 for 60 days. ED 83 will propose adding non-authoritative guidance to the IPSASB's Recommended Practice Guidelines, RPG 1 *Reporting on the Long-Term Sustainability of an Entity's Finances* and RPG 3 *Reporting Service Performance Information*. The additional guidance is expected to support awareness of the applicability of the principles in both RPGs to reporting the impacts of sustainability programs.

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<sup>19</sup> A copy of the joint Financial Reporting Council (FRC), Auditing and Assurance Standards Board (AUASB) and AASB submission to the IPSASB can be found [here](#).

<sup>20</sup> For more information see [IPSASB Receives Strong Encouragement for its Sustainability Reporting Proposals | IFAC](#).

## Update on selected jurisdictional sustainability reporting perspectives

### European Union (EU)<sup>21</sup>

- 23 On 21 June 2022 the European Council and the European Parliament agreed on the text for the Corporate Sustainability Reporting Directive (EU CSRD). The final text of the legislation will be published in the EU Official Journal in late 2022, once it has gone through the formal steps of the adoption procedures. The legislation will come into force 20 days after publication and its provisions will have to be transposed into Member States' national legislation within 18 months.
- 24 The CSRD is central to the EU Sustainable Finance package, a comprehensive set of measures aimed to help improve the flow of capital towards sustainable activities across the EU. The CSRD also amends the Accounting Directive, the Transparency Directive, the Audit Directive and the corresponding Audit Regulation.
- 25 The scope of the CSRD is wide, covering:
- (a) EU large undertakings (whether listed or not), defined as those that exceed at least two of the following on their balance sheet dates:
    - (i) More than €20 million balance sheet total;
    - (ii) More than €40 million net turnover; and
    - (iii) More than 250 employees;
  - (b) Large credit institutions and insurance undertakings regardless of their legal form. This includes those outside the scope of the EU Accounting Directive, such as cooperatives and mutual undertakings provided they meet certain size criteria;
  - (c) Small and medium-sized undertakings (SMEs) (except micro-undertakings) listed on a regulated market in the EU;
  - (d) **Non-EU undertakings** (referred to as third country undertakings in the CSRD) listed on a regulated market in the EU (but with an exemption for those reporting under sustainability reporting standards deemed equivalent by the European Commission);
  - (e) **Non-EU undertakings** not listed on a regulated market in the EU, which generate more than €150 million net turnover in the EU (for each of the last two consecutive financial years) and that have at least one EU subsidiary (large or listed on an EU regulated market) or EU branch (more than €40 million net turnover in the preceding financial year).

### New Zealand (NZ)

- 26 In July 2022 the NZ External Reporting Board (NZ XRB) commenced its final and third public consultation on climate-related disclosures. The final public consultation consists of [three Exposure Drafts](#) on:
- (a) Aotearoa New Zealand Climate Standard (NZCS) 1 *Climate-related Disclosures*— contains the disclosure requirements relating to the four thematic sections (governance, risk management, strategy, and metrics and targets) and the related assurance requirements;

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<sup>21</sup> For more information refer to [iGAAP in Focus — European sustainability reporting: Worldwide reach of the Corporate Sustainability Reporting Directive \(iasplus.com\)](#).

- (b) NZCS 2 *First-time Adoption of Aotearoa New Zealand Climate Standards*—contains adoption provisions available to entities the first time that they are required to disclose; and
- (c) NZCS 3 *General Requirements for Climate-related Disclosures*—contains the general requirements and principles for preparers to follow when making disclosures under NZCSs.

27 The public consultation period on the three Exposure Drafts closed 26 September 2022.

## India<sup>22</sup>

28 In November 2018, the Ministry of Corporate Affairs constituted a Committee on Business Responsibility Reporting (the Committee) to finalise business responsibility reporting formats for listed<sup>23</sup> and unlisted companies, based on the framework of the National Guidelines on Responsible Business Conduct (NGBRC – released in March 2019). The Committee recommended that BRR be rechristened [Business Responsibility and Sustainability Report](#) (BRSR), where disclosures are based on Environmental, Social, and Governance parameters, compelling organisations to holistically engage with stakeholders and go beyond regulatory compliances in terms of business measures and their reporting. It should be noted that the BRSR addresses multi-stakeholder reporting and as such, draws predominantly on the work of the UN Sustainable Development Goals (UN SDGs) and the GRI.

29 Reporting is mandatory for the top 1,000 listed companies (by market capitalisation) from financial reporting periods commencing 2022–23, while disclosure is voluntary for financial reporting periods commencing 2021–22. Listed companies (other than top 1,000) and companies which have listed their specified securities on the Small and Medium Enterprises (SME) exchange may voluntarily submit BRSR in place of BRR effective FY2021-22 onwards.

30 The BRSR is structured as follows:

- (a) **Section A:** General disclosures—contains details of the listed entity; products/services; operations; employees; holding, subsidiary and associate companies (including joint ventures); corporate social responsibility; transparency and disclosure compliances.
- (b) **Section B:** Management and process disclosures—contains questions related to policy and management processes, governance, leadership and oversight.
- (c) **Section C:** Principle-wise performance disclosures—companies are required to report upon key performance indicators (KPIs) in alignment with nine principles:
  - (i) *Principle 1:* Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable.
  - (ii) *Principle 2:* Businesses should provide goods and services in a manner that is sustainable and safe.
  - (iii) *Principle 3:* Businesses should respect and promote the well-being of all employees, including those in their value chains.
  - (iv) *Principle 4:* Businesses should respect the interests of and be responsive to all its stakeholders.

<sup>22</sup> For more information refer to: [Mandatory BRSR reporting for top 1,000 listed companies - KPMG India \(home.kpmg\)](#); [Business Responsibility and Sustainability Report \(deloitte.com\)](#); and [Mainstreaming ESG via Business Responsibility and Sustainability Reporting \(pwc.in\)](#).

<sup>23</sup> That is, companies listed on the National Stock Exchange of India (NSE).

- (v) *Principle 5:* Businesses should respect and promote human rights.
- (vi) *Principle 6:* Businesses should respect and make efforts to protect and restore the environment.
- (vii) *Principle 7:* Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
- (viii) *Principle 8:* Businesses should promote inclusive growth and equitable development.
- (ix) *Principle 9:* Businesses should engage with and provide value to their consumers in a responsible manner.

Section C also classifies KPIs into two sub-categories that companies are required to report upon:

- **Essential indicators (mandatory):** For example, KPIs include data on training programmes conducted, environmental data on energy, emissions, water and waste, social impact generated by the company.
- **Leadership indicators (voluntary):** For example, companies are expected to comply with these indicators for better accountability and responsible purpose. Some of the KPIs include data on life cycle assessments (LCAs), details on conflict management policy, additional data on biodiversity, breakup of energy consumption, Scope 3 emissions and supply chain disclosures.

### Question to Board members

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