



<b>Project:</b>	<b>Sustainability Reporting</b>	<b>Meeting</b>	AASB August 2023 (M197)
<b>Topic:</b>	<b>Update on international and jurisdictional perspectives</b>	<b>Agenda Item:</b>	11.1
		<b>Date:</b>	24 July 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 5-10)
  - (c) International Sustainability Standards Board (ISSB) (paragraphs 11-13)
  - (d) Update on selected jurisdictional sustainability reporting perspectives (paragraphs 14-30)
  - (e) 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 June 2023.<sup>1</sup>

## IFRS Foundation

- 5 The IFRS Foundation will assume the Task Force on Climate-related Financial Disclosures' monitoring duties from 2024.<sup>2</sup>

## IFRS Advisory Council

- 6 In June 2023, the IFRS Advisory Council was provided with an overview of the ISSB's Consultation on Agenda Priorities and the associated Request for Information (RFI) which seeks public feedback to inform the ISSB's next work plan.
- 7 The RFI aims to obtain feedback on:
  - (a) strategic direction and balance of the ISSB's activities;

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1 See June 2023 (M196) [Agenda Paper 15.1 Sustainability Reporting—Update on international and jurisdictional perspectives](#).

2 See [IFRS - IFRS Foundation welcomes culmination of TCFD work and transfer of TCFD monitoring responsibilities to ISSB from 2024](#).

- (b) criteria for assessing the priority of new projects; and
- (c) priority, scope and structure of potential new research and standard-setting projects.<sup>3</sup>

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

8 In June 2023, the DPOC was provided with an ISSB update. Key matters discussed in the meeting included:

- (a) deliberations on [draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and [draft] IFRS S2 *Climate-related Disclosures*;
- (b) ISSB Request for Information *Consultation on Agenda Priorities*;
- (c) industry-based materials;
- (d) development of the IFRS Sustainability Disclosure Taxonomy;
- (e) supporting implementation; and
- (f) work of the ISSB Consultative Groups.<sup>4</sup>

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

9 In June 2023, the SCC was provided with an overview of the ISSB’s Consultation on Agenda Priorities and the associated RFI.<sup>5</sup>

#### **Capital Markets Advisory Committee and Global Preparers Forum**

10 In June 2023, the capital markets advisory committee and global preparers were provided with an ISSB Update.<sup>6</sup>

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

11 The ISSB did not meet in June 2023 due to its focus on preparing for the launch of IFRS S1 and IFRS S2 and outreach on its two open consultations.

12 On 26 June 2023, the ISSB issued its inaugural Standards—IFRS S1 and IFRS S2.<sup>7</sup> Over time, the ISSB will be creating a library of resources to help entities implement IFRS Sustainability Disclosure Standards.

13 ISSB Vice-Chair Sue Lloyd hosted two high-level webcasts on IFRS S1 and IFRS S2.<sup>8</sup>

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

##### **European Union (EU) and European Financial Reporting Advisory Group (EFRAG)**

14 In June 2023, the European Commission launched a 4-week period of public consultation on the draft Delegated Act for the first set of European Sustainability Reporting Standards (ESRS). The Commission will consider feedback before finalising the ESRS as delegated acts and submitting them to the European Parliament and Council for scrutiny. Once adopted, the ESRS will apply to companies subject to the Corporate Sustainability Reporting Directive.<sup>9</sup>

15 In June 2023, the EU put forward a new package of measures to help build and strengthen the foundations of the EU sustainable finance framework. The packaged aimed to ensure that the EU sustainable finance framework continues to support companies and the financial sector, while encouraging private funding of transition projects and technologies. Specifically,

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3 See [June 2023 IFRS Advisory Council agenda and meeting paper](#).

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

5 See [June 2023 Sustainability Consultative Committee agenda and meeting paper](#).

6 See [June 2023 joint Capital Markets Advisory Committee and Global Preparers Forum agenda and meeting papers](#).

7 See [ISSB issues inaugural global sustainability disclosure standards](#).

8 See [Supporting materials for IFRS Sustainability Disclosure Standards](#).

9 See [European Commission’s corporate sustainability reporting webpage](#).

the Commission added additional activities to the EU Taxonomy and proposed new rules for ESG rating providers aimed towards increasing transparency of the sustainable investments market. The package seeks to ensure that the sustainable finance framework assists companies wanting to invest in their transition to sustainability. It also aims to make the sustainable finance framework easier to use, thereby contributing to the European Green Deal objectives.<sup>10</sup>

- 16 At the 6 July 2023 public meeting of the EFRAG Sustainability Reporting Board (SRB), Mairead McGuinness—the European Commissioner for Financial Stability, Financial Services and the Capital Markets Union—spoke on the progress and priority steps to be followed by the EFRAG Sustainability Reporting Pillar. In this exchange, the EFRAG SRB members reflected on the Commissioner's messages and expressed their views on the process.<sup>11</sup>

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

- 17 In June 2023, the UK's Financial Reporting Council (FRC) published two research reports:
- (a) *Audit Committee Chairs' views on, and approach to Environmental, Social and Corporate Governance (ESG)*<sup>12</sup> (see paragraphs 16-19); and
  - (b) *The influence of proxy advisors and ESG rating agencies on the actions and reporting of FTSE350 companies and investor voting*<sup>13</sup> (see paragraphs 20-21).

#### *Audit Committee Chairs' views on, and approach to Environmental, Social and Corporate Governance*

- 18 This report, commissioned by the FRC and conducted by independent research agency YouGov, involved interviews with 40 Audit Committee Chairs (ACCs) of Public Interest Entities (PIEs). They represented a diverse range of organisations including FTSE 100 and FTSE 250 companies, other listed equities, building societies, and unlisted banks.
- 19 Aimed at gaining a deeper understanding of ACCs views and approaches towards ESG reporting and assurance, the report highlighted the existing work in this space and the importance of ESG in business practices and stakeholder communication. Participants noted the increased significance of ESG in recent years, triggered by the COVID-19 pandemic and a heightened awareness of environmental and social issues.
- 20 ACCs showed a strong interest and understanding of ESG activities within their organisations. However, their involvement in decision-making processes, particularly related to environmental and social elements, is often limited and their primary role lies in risk management, compliance and reporting.
- 21 Some participants also expressed concerns about the broad and evolving nature of ESG, including measurement and reporting challenging across sectors and markets. They called for practical, sector-specific guidance to measure environmental and social activities and recommended the development of best practice examples to help ensure meaningful ESG disclosures without excessive reporting requirements.

#### *The influence of proxy advisors and ESG rating agencies on the actions and reporting of FTSE350 companies and investor voting*

- 22 This research, conducted by Durham University and Morrow Sodali, was commissioned to help better understand the impact of proxy voting agencies' activities on corporates, particularly on key issues such as remuneration policies.
- 23 The research findings were shared with the UK Financial Conduct Authority and the UK Capital Markets Industry Taskforce to aid their ongoing consultations on how proxy voting

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10 See [Sustainable finance package](#).

11 See [Commissioner McGuinness addresses the EFRAG SRB in a special public meeting](#).

12 See [Audit Committee Chairs' views on, and approach to Environmental, Social and Corporate Governance \(ESG\)](#).

13 See [The influence of proxy advisors and ESG rating agencies on the actions and reporting of FTSE350 companies and investor voting](#).

agencies interact with corporates and investors as part of corporate governance programmes.

- 24 In July 2023, the FRC issued a call for evidence to inform the proposed endorsement of the IFRS Sustainability Disclosure Standards in the UK in its role as the Secretariat to the UK Sustainability Disclosure Technical Advisory Committee. This call seeks views on whether the application of these standards in the UK will result in disclosures that are understandable, relevant, reliable and comparable for investors. It also intends to consider technical feasibility, timeliness alongside financial reporting, and proportionality of costs to benefits.

#### **Canada**

- 25 The Canadian Securities Administrators (CSA)—the body responsible for coordinating and harmonising regulation for Canadian capital markets—recently welcomed the publication of IFRS S1 and IFRS S2. The CSA commended the ISSB for developing a global framework for investor-focused disclosures that responds to market demands for more consistent and comparable reporting. The CSA also commended the ISSB’s proposed capacity building efforts aimed towards supporting the adoption of IFRS Sustainability Disclosure Standards.<sup>14</sup>
- 26 The CSA have been assigned responsibility for developing climate-related disclosure requirements for reporting issuers in Canada. The CSA intends to conduct further consultations to adopt disclosure standards based on ISSB Standards, with necessary modifications for the Canadian context.
- 27 The CSA acknowledged an announcement by the Canadian Sustainability Standards Board (CSSB) that it is operational and had appointed a quorum of members. The CSA noted a desire for future engagements with the CSSB on IFRS Sustainability Disclosure Standards.

#### **ASEAN Capital Markets Forum (ACMF)**

- 28 In June 2023, the ACMF and the ISSB jointly organised a conference and technical training on IFRS Sustainability Disclosure Standards in Singapore. The event was part of a global programme of events to mark the launch of IFRS S1 and IFRS S2.<sup>15</sup>

#### **Singapore**

- 29 In July 2023, on the recommendations of the Sustainability Reporting Advisory Committee, the Accounting and Corporate Regulatory Authority and Singapore Exchange Regulation launched a public consultation aimed towards progressing climate reporting in Singapore. The consultation recommends that listed issuers report on ISSB-aligned climate-related disclosures starting from the 2025 financial year. Large non-listed companies with annual revenue of at least \$1 billion would be required to report in the 2027 financial year. The public consultation runs from 6 July to 30 September 2023.<sup>16</sup>

#### **Question to Board members**

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

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14 See [Canadian Securities Administrators statement on proposed climate-related disclosure requirements](#).

15 See [ACMF-ISSB Joint Conference and Technical Training on the IFRS Sustainability Disclosure Standards in Singapore on 27th and 28th June 2023](#).

16 See [Singapore’s Sustainability Reporting Advisory Committee Recommends Mandatory Climate Reporting for Listed and Large Non-Listed Companies](#).