



Project:	Sustainability Reporting	Meeting	AASB August 2022 (M189)
Topic:	Update on international and jurisdictional perspectives	Agenda Item:	6.0
		Date:	18 July 2022
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		Decision-Making:	None
		Project Status:	Consider feedback from outreach activities

Objective

- 1 The objective of this paper is to inform Board members of international developments in sustainability reporting, focussing on:
 - (a) Update on the International Sustainability Standard Board (ISSB);
 - (b) [v0.2 of beta version](#) of the nature-related risk management and disclosure framework published for public consultation by [Taskforce on Nature-related Financial Disclosures](#) (TNFD) in June 2022;
 - (c) update on the sustainability-related work in selected jurisdictions (New Zealand, European Union, United Kingdom and Canada).
- 2 This paper is for information purposes only and does not ask the Board to make any decisions.

Update on international developments

- 3 At its May 2022 Board meeting, the AASB staff provided the Board with an overview of international and jurisdictional perspectives on sustainability reporting.¹ This paper provides an update on those perspectives since the Board's meeting in May 2022.

The International Sustainability Standards Board (ISSB)

- 4 Subject to feedback received, the ISSB aims to complete the institutional and technical standard-setting work to establish the global baseline by the end of 2022.

¹ See May 2022 (M187) Agenda Papers https://www.aasb.gov.au/media/1okjfdm2/06-3_sr_intupdate_m187_pp.pdf.

- 5 On 20 May, [G7 Finance Ministers and Central Bank Governors](#) issued a Communique in which they welcomed the inauguration of ISSB and encouraged countries to prepare the ground for the usage of the baseline and encouraged the ISSB to continue working on sustainability reporting standards beyond climate, such as nature and social issues.
- 6 On 25 May, [the Chairs of IASB and ISSB communicated](#) that after the integration of the Value Reporting Foundation (VRF) into ISSB, the Integrated Reporting (IR) Framework would become part of the materials of the IFRS Foundation, which will be initially a voluntary resource for preparers. The IASB and ISSB will assume the responsibility for the IR Framework. On consolidating the VRF, the Integrated Reporting Council will become an advisory body to the IFRS Foundation Trustees and both boards.
- 7 The ISSB decided to [establish Sustainability Standards Advisory Forum](#) (SSAF) in 2022. The SSAF will have three members from Asia/Oceania region. The AASB has submitted a membership nomination.
- 8 On 8 June, the IFRS Foundation Trustees [appointed four further members to the ISSB](#). The new members are Richard Barker, dean and professor of accounting at the University of Oxford, Verity Chegar, current Co-Vice Chair of the SASB, Bing Leng, Director in the Accounting Regulatory Department of the Chinese Ministry of Finance and Ndidi Nnoli-Edozien, Group Chief Sustainability and Governance Officer of Dangote Industries Ltd.

Another [two members were appointed on 24 June](#), making the Board quorate. The new members are Jeffrey Hales, SASB Standards Board Chair and Accounting Professor at the University of Texas and Michal Jantzi, VRF Board Director and Sustainalytics founder.

On 14 July, [the IFRS Foundation appointed](#) Tae-Young Paik, professor of accounting in Seoul, and Elizabeth Seeger, Managing Director Sustainable Investing in KKR investment firm and member of SASB.

- 9 In May, [representatives from ISSB and Global Reporting Initiative \(GRI\)](#) met to begin work on the agreed Memorandum of Understanding (MoU).² IFRS Sustainability Disclosure Standards and GRI Standards can be viewed as two interconnected reporting pillars that address distinct perspectives, which can together form a comprehensive corporate reporting regime for the disclosure of sustainability information. The initiatives discussed included:
- (a) a roadmap to advance technical aspects of the collaboration;
 - (b) a mapping exercise to establish those requirements in the ISSB's General Requirements and Climate Exposure Drafts that are equivalent to GRI Standards in order to guide the alignment of disclosures, guidance, concepts and definitions;
 - (c) a comparison of ISSB's General Features and Qualitative Characteristics of Information in the S1 with GRI1: *Foundation* to identify the scope for alignment;
 - (d) the development of a methodology to cross-reference between guidance and other materials produced by GRI and ISSB;
 - (e) the development of a full articulation of the ways in which the standards developed by GRI and ISSB are complementary or diverge.

² See May 2022 (M187) Agenda Papers https://www.aasb.gov.au/media/1okjdm2/06-3_sr_intupdate_m187_pp.pdf.

- 10 The [IFRS Foundation signed MoU](#) with Montreal International to obtain the financial support of the Government of Canada and Quebec to establish the ISSB Montreal Centre. The IFRS Foundation commenced operations in Montreal with June 2022 Trustees meeting and initiated activities to support the ISSB’s full onsite presence.
- 11 The IFRS Foundation and the Board of Directors of VRF [approved the consolidation of the VRF](#) into IFRS Foundation from 1 July 2022. The consolidation is expected to be [complete by 1 August 2022](#).
- 12 The IFRS Foundation’s International Sustainability Standards Board (ISSB) will hold its [first board meeting](#) on 20-21 July 2022 in Frankfurt. The [agenda and meeting papers](#) have been published. The next ISSB meeting will be held in Frankfurt in September. The October and December meetings will be held in Montreal.

Other organisations

Taskforce on Nature-related Financial Disclosures (TNFD)

- 13 Following a positive [response from market participants](#) on the first version of its framework, on 28 June 2022, TNFD released 0.2 version of its beta framework, including [initial guidance on metrics](#). This version is expanded for nature risk management and disclosure, specific sector guidance and additional guidance to support pilot testing.

Metrics and targets	V0.2 distinguishes between assessment metrics and disclosure metrics. It also includes a set of illustrative assessment metrics for dependencies and impacts on nature.
Additional guidance materials	V0.2 includes additional guidance including on the LEAP approach and on pilot testing for those companies and financial institutions interested in testing the potential Task of the framework in more detail.
Nature-related risk and opportunity assessment for Financial Institutions	In v0.2 the LEAP approach for financial institutions (LEAP-FI) has been further refined, clarifying different entry points for financial institutions based on the nature of their business and their investment or credit portfolios.

- 14 The Taskforce will develop additional sector-specific metrics as part of specific guidance in future releases.

Update on selected jurisdictional perspectives

New Zealand

- 15 The consultation period for the New Zealand External Reporting Board (XRB) [Climate-related Disclosures: Strategy, and Metrics and Targets](#) closed on 2 May 2022. The [feedback](#) received further highlighted the focus on close international alignment and referenced the work of ISSB.
- 16 The feedback relating to the strategy was supportive of the overall direction of the proposed disclosures.

- 17 The feedback relating to metrics and targets addressed mainly the greenhouse gas (GHG) emissions and industry-specific metrics. Regarding GHG, 40% of respondents were supportive, while 35% suggested amendments. Only 10% disagreed.
- 18 Majority of respondents supported the proposed limited level of assurance.
- 19 XRB is expecting to launch the third consultation of the Climate-related Disclosure draft on 28 July 2022.

European Union

- 20 In April 2022, EFRAG issued the first set of draft standards and launched the [public consultation on the following EDs](#):
- a) **Cross-cutting standards:**
 - [ESRS 1 General principles](#)
 - [ESRS 2 General, strategy, governance and materiality assessment](#)
 - b) **Environmental standards:**
 - [ESRS E1 Climate change](#)
 - [ESRS E2 Pollution](#)
 - [ESRS E3 Water and marine resources](#)
 - [ESRS E4 Biodiversity and ecosystems](#)
 - [ESRS E5 Resource use and circular economy](#)
 - c) **Social standards:**
 - [ESRS S1 Own workforce](#)
 - [ESRS S2 Workers in the value chain](#)
 - [ESRS S3 Affected communities](#)
 - [ESRS S4 Consumer and end-users](#)
 - d) **Governance standards:**
 - [ESRS G1 Governance, risk management and internal control](#)
 - [ESRS G2 Business conduct](#)

- 21 EFRAG is currently in the process of public consultation. The comment period closes on 8 August 2022.

United Kingdom

- 22 The UK Endorsement Board (UKEB) issued a draft comment letter relating to IFRS S1 and IFRS S2. The draft letter includes the recommendation in relation to the proposed approach to ensure the success of the proposals. The draft letter was discussed with a wide range of stakeholders.
- 23 The UKEB is currently finalising its [final comment letter](#).
- 24 The Financial Reporting Council (FRC) published [its response to the ISSB Draft Standards S1 and S2](#) in June 2022. The FRC strongly supports the development of global standards for sustainability reporting.

Canada

- 25 In June 2022, the Canadian Sustainability Standards Board (CSSB) was formally announced as part of the Independent Review Committee on Standard Setting in Canada's (IRCSS) recommendations.

26 The CSSB is currently in the early stages of development and aims to be operational by April 2023.

Question to Board members

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

Appendix A

Timeline for implementation of sustainability reporting proposed by US SEC and the EU

Framework	Class of entities	2023	2024	2025	2026	2027	2028
US SEC proposed rules	Large accelerated filers	All proposed disclosures, but excluding scope 3	Scope 3 disclosure and limited assurance		Reasonable assurance		
	Accelerated filer and nonaccelerated filer		All proposed disclosures, but excluding scope 3	Scope 3 disclosure and limited assurance		Reasonable assurance	
	Small reporting companies			All proposed disclosures; exempted from scope 3			
EU CSRD	Companies already subject to the NFRD		ESRS and EU Taxonomy; limited assurance				EU to develop standards for reasonable assurance by October 2028
	Companies not subject to the current NFRD, which meet certain size criteria			ESRS and EU Taxonomy; limited assurance			
	Listed SMEs, small and noncomplex credit institutions and captive insurance undertakings				ESRS and EU Taxonomy; limited assurance		

Source: [ISRB 2022-04 \(bdo.global\)](#)

The ISSB EDs do not include a proposed effective date. The IFRS Sustainability Disclosure Standards need to be endorsed by local regulators, standard-setters or governments in individual jurisdictions. Therefore, they could become effective in different years.