



Australian Government
**Australian Accounting
Standards Board**

Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600

Emmanuel Faber
Chair
International Sustainability Standards Board
IFRS Foundation
Colombus Building
7 Westferry Circus
Canary Wharf, London E14 4HD
UNITED KINGDOM

31 August 2023

Dear Mr Faber,

ISSB Request for Information *Consultation on Agenda Priorities*

The Australian Accounting Standards Board (AASB) is pleased to have the opportunity to provide comments on the International Sustainability Standards Board (ISSB) Request for Information *Consultation on Agenda Priorities*.

The AASB continues to support the establishment and ongoing work of the ISSB in developing a global baseline for sustainability-related financial reporting. Sustainability-related disclosure standards fall within the scope of external reporting in Australia, with the AASB's mandate covering the development, issuance and maintenance of accounting and external reporting standards and guidance that are principles-based, meet the needs of external report users and are enforceable.

The AASB would like to acknowledge the efforts of the ISSB to address the globalisation and standardisation of sustainability-related financial reporting and support the RFI in being an important step in continuing its work. Overall, we are supportive of the ISSB commencing new research projects on sustainability-related risks and opportunities.

Supporting implementation of IFRS S1 and IFRS S2

The AASB recommends that the ISSB focus its efforts on supporting implementation of IFRS S1 and IFRS S2 in the next two years. If the ISSB is going to achieve the objective of establishing a global baseline for comparable sustainability-related financial information, it will first need to establish a global baseline for the Standards it has already issued and ensure they are being implemented consistently. This will likely include focusing on the development of relevant and appropriate guidance and educational materials to better support consistent application.

Conceptual framework

The AASB is of the view that new standards can be appropriately addressed only after a conceptual framework has been developed. While we understand there was a necessity to finalise climate-related financial disclosure requirements ahead of a conceptual framework being developed, we are



of the view that the next priority for the ISSB should be a conceptual framework that clearly identifies and explains key concepts which will underpin all future standard-setting activity. In particular, as the AASB has previously raised with the ISSB in our [joint submission with the Auditing and Assurance Standards Board \(AUASB\) on the Exposure Drafts on \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and \[Draft\] IFRS S2 Climate-related Disclosures](#), including (and therefore requiring compliance with) conceptual elements in IFRS S1 is not an appropriate substitute for a conceptual framework.

We have provided our detailed recommendations and responses to the specific questions for respondents in the Appendices to this letter.

If you have any questions regarding this letter, please contact [me](mailto:kkendall@asb.gov.au) directly (kkendall@asb.gov.au).

Yours sincerely,

Dr Keith Kendall
Chair
Australian Accounting Standards Board



Appendix A—AASB response to the Request for Information *Consultation on Agenda Priorities*

Question 1—Strategic direction and balance of the ISSB’s activities

Paragraphs 18-22 and Table 1 provide an overview of activities within the scope of the ISSB’s work.

- (a) From highest to lowest priority, how would you rank the following activities?
- (i) beginning new research and standard-setting projects
 - (ii) supporting the implementation of IFRS Sustainability Disclosure Standards IFRS S1 and IFRS S2
 - (iii) researching targeted enhancements to the IFRS Sustainability Disclosure Standards
 - (iv) enhancing the Sustainability Accounting Standards Board (SASB) Standards.
- (b) Please explain the reasons for your ranking order and specify the types of work the ISSB should prioritise within each activity.
- (c) Should any other activities be included within the scope of the ISSB’s work? If so, please describe these activities and explain why they are necessary.

Supporting implementation of issued IFRS Sustainability Disclosure Standards—High priority

The AASB recommends that the ISSB focus its efforts on supporting implementation of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosure* in the next two years. If the ISSB is going to achieve the objective of establishing a global baseline for comparable sustainability-related financial information, the ISSB should first focus on the implementation of the Standards it has already issued and ensure that they are being implemented consistently.

Furthermore, outreach with stakeholders highlighted that the application of the definition of material is still not well understood in the context of sustainability-related financial reporting. For example, because of the limited number of IFRS Sustainability Disclosure Standards available for use and investor expectations it is likely that most entities would apply IFRS S2 regardless of whether climate-related risks and opportunities are material to them. Consistent with the feedback the AASB provided to [Draft] IFRS S1 and [Draft] IFRS S2, we again recommend that the ISSB work on developing additional guidance and educational materials addressing how the definition of material applies in the context of sustainability-related financial reporting.

We commend the pace at which the ISSB has been able to draft and issue IFRS S1 and IFRS S2. However, we note that many jurisdictions, including Australia, are not yet in a position to be able to keep pace with the ISSB. This is because the process of amending existing or writing new legislation to establish the necessary processes and regulatory frameworks to support voluntary or mandatory standard-setting takes time, and in some cases requires significant domestic public consultation. Furthermore, little is understood about the real costs and benefits of sustainability reporting at this stage, and it is expected that the real cost of climate-related financial reporting alone will be significant—and for some aspects of that reporting, the costs may likely outweigh the benefits. In the AASB’s view, along with implementation of existing standards, the ISSB should prioritise the monitoring of its issued Standards to learn from them before moving onto new standard-setting activities.

Conceptual framework—high priority

The AASB recommends that the ISSB prioritise the development of an appropriate conceptual framework to guide its future standard-setting activities and develop a roadmap which explains and



specifies what the long-term objectives of the ISSB are and how that relates to the IFRS Foundation and International Accounting Standards Board's (IASB) strategy, mission and objectives.

Beginning new research and standard-setting activities—medium priority

The AASB supports the ISSB in commencing new research projects. However, while the AASB understands that there is demand for the ISSB to move onto the next standard-setting project, we recommend that the ISSB looks to the IFRS Foundation's *Due Process Handbook* and ensures the necessary research and public consultation has been undertaken to support its standard-setting activities.

Researching targeted enhancements to the IFRS Sustainability Disclosure Standards—low priority

At this stage, it is critical that IFRS S1 and IFRS S2 are a stable platform off which jurisdictions can implement, adopt or endorse the work of the ISSB. Globally, it will take time to get the legislative and regulatory frameworks and processes in place to implement and enforce reporting that is aligned with IFRS Sustainability Disclosure Standards (or equivalent standards). It will undermine and destabilise the work of individual jurisdictions if the issued Standards are being amended while jurisdictions are working to get those legislative and regulatory frameworks and processes in place. Consequently, the AASB recommends that the ISSB wait until it has had the opportunity to perform a post-implementation review of its issued Standards before it considers researching or making targeted amendments to IFRS S1 or IFRS S2.

Enhancing the SASB Standards—low priority

In our view, the ISSB should be prioritising the development, issuance and maintenance of IFRS Sustainability Disclosure Standards, including subjecting the SASB's industry-based work that is being incorporated into IFRS Sustainability Disclosure Standards to the appropriate level of public consultation and due process.



Question 2—Criteria for assessing sustainability reporting matters that could be added to the ISSB’s work plan

Paragraphs 23-26 discuss the criteria the ISSB proposes to use when prioritising sustainability-related financial reporting issues that could be added to its work plan.

- (a) Do you think the ISSB has identified the appropriate criteria?**
(b) Should the ISSB consider any other criteria? If so, what criteria and why?

In principle, the AASB agrees that the ISSB has identified the appropriate criteria to use for this purpose. Further, the AASB is supportive of the ISSB’s current approach in adopting an investor focus in developing a global baseline. As set out in the remainder of this submission, the AASB views the development of a conceptual framework, with this focus in mind, as the foundation step towards consistent decision making in the development of this global baseline.



Question 3—New research and standard-setting projects that could be added to the ISSB’s work plan

Paragraphs 27-38 provide an overview of the ISSB’s approach to identifying sustainability-related research and standard-setting projects. Appendix A describes each of the proposed projects that could be added to the ISSB’s work plan.

Taking into account the ISSB’s limited capacity for new projects in its new two-year work plan, should the ISSB prioritise a single project in a concentrated effort to make significant progress on that, or should the ISSB work on more than one project and make more incremental progress on each of them?

- (a) If a single project, which one should be prioritised? You may select from the four proposed projects in Appendix A or suggest another project.
- (b) If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority? You may select from the four proposed projects in Appendix A or suggest another project (or projects).

As part of outreach on the AASB’s [ITC 46 Agenda Consultation 2022-2026](#) and [ED 321 Request for Comment on ISSB \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and \[Draft\] IFRS S2 Climate-related Disclosures](#), Australian stakeholders provided the following examples of sustainability-related topics that, in their view, could be prioritised in Australia following climate:¹

- (a) Biodiversity;
- (b) Indigenous and human rights;
- (c) Water and water scarcity;
- (d) Cybersecurity;
- (e) Data privacy and management;
- (f) Modern slavery; and
- (g) Nature and the environment.

The scope of the topics that the ISSB proposed in the RFI are very broad. In adopting such a large agenda, there is a risk that sufficient time may not be given to develop requirements with the depth needed to support high-quality standard-setting. We acknowledge that the sub-topics identified by the ISSB shouldn’t be thought of in isolation as all sustainability-related financial reporting topics are interrelated. However, the sub-topics identified by the ISSB would require significant research and standard-setting activity in their own right.

The AASB considers the development of a conceptual framework as the highest priority activity for the ISSB.

¹ See [February 2022 AASB Agenda Paper 3.4 Sustainability Reporting: Feedback summary—ITC 46 Agenda Consultation 2022-2026](#) and [November 2022 AASB Agenda Paper 3.2.2 Sustainability Reporting: ED 321 Feedback summary—Australian-specific questions](#).



Question 4—New research and standard-setting projects that could be added to the ISSB’s work plan: Biodiversity, ecosystems and ecosystem services

The research project on biodiversity, ecosystems and ecosystem services is described in paragraphs A3–A14 of Appendix A. Please respond to these questions:

- (a) **Of the subtopics identified in paragraph A11, to which would you give the highest priority? Please select as many as applicable. Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:**
- (i) **a short description of the subtopic (and the associated sustainability-related risks and opportunities); and**
 - (ii) **your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.**

We refer to our response to Question 3 at first instance, in which we recommend that the ISSB concentrate its efforts on developing a Conceptual Framework prior to commencing any further specific standard setting activity. All subsequent responses are to be read in that context.

In that light, based on recent Australian academic research and the feedback the AASB received to ITC 46 and ED 321, we are of the view that the following sub-topics could be prioritised within BEES:

- (a) *Biodiversity and invasive native-species*—stakeholders have highlighted biodiversity as a key sub-topic for consideration because of the unique biodiversity of Australia and the sensitivity of Australian ecosystems to non-native species. Industries particularly at risk within Australia would be primary industries including grains, livestock, horticulture, wine, seafood and dairy. Further, evidence shows that the extent of biodiversity reporting is variable and the biodiversity information that is being reported would not enable external parties to assess an entity’s biodiversity performance.²
- (b) *Water and water scarcity*—stakeholders have highlighted that, due to Australia’s climate and unique environment, developing sustainability-related financial disclosure requirements related to water and water scarcity should be prioritised. Water-related risks, in particular how to manage water scarcity given ongoing droughts and weather conditions within Australia, would be particularly prevalent for entities that operate in industries which use water as a key resource such as primary industries.³
- (c) *Soil and soil health*—stakeholders and recent domestic academic research have highlighted soil and soil health as being of particular relevance in Australia and a sustainability-related financial disclosure topic which should be prioritised. Soil-related risks, in particular soil degradation, are particularly prevalent for entities that operate in primary industries.⁴

² For example, Adler, R., Mansi, M., Pandey, R. and Stringer, C. (2017), "United Nations Decade on Biodiversity: A study of the reporting practices of the Australian mining industry", *Accounting, Auditing & Accountability Journal*, Vol. 30 No. 8, pp. 1711-1745.

³ Also see Vardon, M., Lenzen, M., Peavor, S. and Creaser, M. (2007), "Water accounting in Australia", *Ecological Economics*, Vol. 61, Issue 4, pp. 650-659.

⁴ See Pawsey, P., Ascui, F., Frost, M. and Wills, B. (2023), "Improving the visibility of soil health in corporate reporting", *AASB Working Paper No. 23-01*.



Question 4—New research and standard-setting projects that could be added to the ISSB’s work plan: Biodiversity, ecosystems and ecosystem services

The research project on biodiversity, ecosystems and ecosystem services is described in paragraphs A3–A14 of Appendix A. Please respond to these questions:

...

- (b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate? Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.**

The AASB is of the view that sustainability-related financial risks and opportunities related to this topic will significantly differ across business models, economic activities and geographic locations. As reflected in Australia’s approach to developing an Australian-equivalent to IFRS S2, it would be likely that any related requirements developed by the ISSB would need to be tailored to meet the needs of Australian stakeholders and align with existing and developing legislation and regulation. This is not unique to BEES and will likely be the case for most, if not all, sustainability-related risks and opportunities regardless of the topic to which they relate.

We are supportive of the ISSB establishing a global baseline of sustainability-related financial disclosure requirements. However, we also wish to stress that in order to establish a global baseline, IFRS Sustainability Disclosure Standards should serve only as a minimum set of disclosure requirements with sufficient flexibility built in to support and permit jurisdictional implementation. Unlike Accounting Standards, jurisdictional policy, regulatory environment and legislation play a significant role in the development of relevant and appropriate Sustainability Standards. Consequently, we encourage the ISSB to balance the development of a global baseline of sustainability-related financial disclosure requirements against the need for jurisdictional specificity to make relevant and appropriate sustainability reporting requirements.



Question 4—New research and standard-setting projects that could be added to the ISSB’s work plan: Biodiversity, ecosystems and ecosystem services

The research project on biodiversity, ecosystems and ecosystem services is described in paragraphs A3–A14 of Appendix A. Please respond to these questions:

...

- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A13 should be utilised and prioritised by the ISSB in pursuing the project? Please select as many as applicable. Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

The AASB has no view on which materials or organisations referenced in paragraph A13 should be utilised or prioritised by the ISSB.

Overall, the AASB is supportive but cautious to the ISSB’s approach to leveraging off the work of existing sustainability reporting standard-setters and framework providers.



Question 5—New research and standard-setting projects that could be added to the ISSB’s work plan: Human capital

The research project on human capital is described in paragraphs A15–A26 of Appendix A. Please respond to these questions:

- (a) Of the subtopics identified in paragraph A22, to which would you give the highest priority? Please select as many as applicable. Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You may also suggest subtopics that have not been specified. To help the ISSB analyse the feedback, where possible, please provide:
- (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
 - (ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.
- (b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate? Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.
- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A25 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable. Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

As this area is a regulated space in Australia, the AASB has received little stakeholder feedback regarding the importance to prioritising human capital as a standard setting activity.

See also our response to Question 4(b) and 4(c).



Question 6—New research and standard-setting projects that could be added to the ISSB’s work plan: Human rights

The research project on human rights is described in paragraphs A27–A37 of Appendix A. Please respond to these questions:

- (a) Within the topic of human rights, are there particular subtopics or issues that you feel should be prioritised in the ISSB’s research? You can suggest as many subtopics or issues as you deem necessary. To help the ISSB analyse the feedback, where possible, please provide:
- (i) a short description of the subtopic (and the associated sustainability-related risks and opportunities); and
 - (ii) your view on the importance of the subtopic with regard to an entity’s sustainability-related risks and opportunities and the usefulness of the related information to investors.
- (b) Do you believe that sustainability-related risks and opportunities related to this topic are substantially different across different business models, economic activities and other common features that characterise participation in an industry, or geographic locations such that measures to capture performance on such sustainability-related risks and opportunities would need to be tailored to be specific to the industry, sector or geographic location to which they relate? Please explain your reasoning and provide examples of how sustainability-related risks and opportunities related to this topic will either be (i) substantially different or (ii) substantially the same across different industries, sectors or geographic locations.
- (c) In executing this project, the ISSB could leverage and build upon the materials of the ISSB and other standard-setters and framework providers to expedite the project, while taking into consideration the ISSB’s focus on meeting the needs of investors. Which of the materials or organisations referenced in paragraph A36 should be prioritised by the ISSB in pursuing its research? Please select as many as applicable. Please explain your choices and the relative level of priority with particular reference to the information needs of investors. You can suggest materials that are not specified. You can suggest as many materials as you deem necessary. To help the ISSB analyse the feedback, where possible, please explain why you think the materials are important to consider.

As with human capital, the AASB has received little stakeholder feedback on this area as this matter is largely already regulated under Australian legislation.



Question 7—New research and standard-setting projects that could be added to the ISSB’s work plan: Integration in reporting

The research project on human rights is described in paragraphs A38–A51 of Appendix A. Please respond to these questions:

- (a) The integration in reporting project could be intensive on the ISSB’s resources. While this means it could hinder the pace at which the topical development standards are developed, it could also help realise the full value of the IFRS Foundation’s suite of materials. How would you prioritise advancing the integration in reporting project in relation to the three sustainability-related topics (proposed projects on biodiversity, ecosystems and ecosystem services; human capital; and human rights) as part of the ISSB’s new two-year work plan?
- (b) In light of the coordination efforts required, if you think the integration in reporting project should be considered a priority, do you think that it should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed without being a formal joint project)?
 - (i) If you prefer a formal joint project, please explain how you think this should be conducted and why.
 - (ii) If you prefer an ISSB project, please explain how you think this should be conducted and why.
- (c) In pursuing the project on integration in reporting, do you think the ISSB should build on and incorporate concepts from:
 - (i) the IASB’s Exposure Draft *Management Commentary*? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
 - (ii) the Integrated Reporting Framework? If you agree, please describe any particular concepts that you think the ISSB should incorporate in its work. If you disagree, please explain why.
 - (iii) other sources? If you agree, please describe the source(s) and any particular concepts that you think the ISSB should incorporate in its work.
- (d) Do you have any other suggestions for the ISSB if it pursues the project?

The AASB is supportive of a project being undertaken to address the connection between sustainability reporting and financial reporting. However, given the cross-cutting nature of such a project, we recommend that this be undertaken by the IFRS Foundation, with the consultation providing a clear explanation of:

- (a) the objective of the project and how it relates to the IFRS Foundation’s long-term strategy;
- (b) the anticipated benefits of the project;
- (c) the expected costs that would be required by the IFRS Foundation, the IASB and the ISSB; and
- (d) how the work on the project would be allocated across the IFRS Foundation, the IASB and the ISSB (i.e. the resources that would be required to be diverted away from the existing work of the IFRS Foundation, IASB and ISSB to address the project).

Connectivity

The AASB is of the view that work on connectivity (being the relationship between the financial statements and sustainability-related financial disclosures) should be prioritised prior to integration in reporting being addressed.



Given the complexity of the ISSB's requirements in IFRS S1 and IFRS S2 regarding effects on current and future cash flows, financial position and financial performance, it is still an area that is not well understood by all stakeholders, including preparers and users. As a result, there will likely be a great deal of diversity in these types of disclosures as entities determine what information is needed to comply with current and future requirements, and users determine exactly what information is necessary as opposed to desirable. We recommend that the ISSB focus on the development of additional guidance on connectivity to better support comparability.

Conceptual framework

The AASB is of the view that integration in reporting can only be appropriately addressed after a conceptual framework has been developed, or as part of its development. While we understand there was a necessity to finalise climate-related financial disclosure requirements ahead of a conceptual framework being developed, we are of the view that the next priority of the ISSB should be a conceptual framework. In particular, as the AASB has previously raised with the ISSB in our joint submission with the Auditing and Assurance Standards Board (AUASB) on the Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2, including (and therefore requiring compliance with) conceptual elements in IFRS S1 is not an appropriate substitute for a conceptual framework.

Question 8—Other comments

Do you have any other comments on the ISSB's activities and work plan?

No additional comments.