



Sustainability Reporting

Project summary

International investors with global investment portfolios are increasingly calling for high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance (ESG) matters.

On 3 November 2021, the IFRS Foundation Trustees announced the creation of a new standard-setting board—the International Sustainability Standards Board (ISSB)—to help meet this demand.

In November 2021, the AASB indicated that, at least initially, it intends to develop sustainability reporting requirements for the domestic market.

In February 2022, the AASB formally added the Sustainability Reporting project to its work plan and indicated that this project would be considered a high priority going forward with climate reporting likely to be the first sustainability matter it addresses.

Project contacts

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Project priority: High

Issued Documents

- ED 321 [Request for Comment on ISSB \[Draft\] IFRS S1 and \[Draft\] IFRS S2](#)
- ITC 46 [AASB Agenda Consultation 2022-2026](#)

AASB Outreach

- Submissions to ED 321
- Roundtable discussions on ED 321
- Roundtable discussion on ITC 46
- Submissions to ITC 46
- Submissions to ITC 48 *Extended External Reporting*

Project status

- Consider feedback from outreach activities

Board deliberations

- AASB Action Alert Update and Board Papers

Other

- IFRS Foundation—[International Sustainability Standards Board](#)
- IFRS Foundation—[Technical Readiness Working Group](#)

AASB Communications

- [AASB Position Statement on Extended External Reporting Framework](#)
- [FRC/AASB/AUASB Position Statement on Extended External Reporting and Assurance](#)

Latest project news

Date

News

21 September 2022

[September 2022 Action Alert](#)

3 August 2022

[August 2022 Action Alert](#)

27 June 2022

[June 2022 Action Alert](#)

20 May 2022

[May 2022 Action Alert](#)

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

AASB Action Alert Update, Minutes and Board Papers

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- September 2022** The Board received an update on the Sustainability Reporting project and international sustainability reporting developments.
- [3.1](#) Staff paper: Project update
 - [3.1.1](#) AASB-AUASB joint submission to the ISSB [*Supporting Material*]
 - [3.1.2](#) Submissions to ED 321 and staff summary of survey responses to ED 321 [*Supporting Material*]
 - [3.1.3](#) Submissions from Australian stakeholders to the ISSB [*Supporting Material*]
 - [3.1.4](#) AOSSG comment letter submissions to the ISSB [*Supporting Material*]
 - 3.1.5 Staff summaries of preparer-focused roundtables [*Supporting Material – Board only*]
 - 3.1.6 Staff summaries of general stakeholder-focused roundtables [*Supporting Material – Board only*]
 - 3.1.7 Staff summaries of industry-focused roundtables [*Supporting Material – Board only*]
 - [3.2](#) Staff paper: Update on selected international and jurisdictional perspectives

August 2022 **Sustainability Reporting**

The Board received an update on international sustainability reporting developments. The Board also noted the joint AASB-AUASB submission to the International Sustainability Standards Board.

- [6.0](#) Staff paper: Update on selected international and jurisdictional perspectives

IPSASB Consultation Paper *Advancing Public Sector Sustainability Reporting*

The Board considered targeted stakeholder feedback on the IPSASB Consultation Paper *Advancing Public Sector Sustainability Reporting*. Subject to feedback from the FRC and the AUASB, the Board decided to support the IPSASB's Preliminary Views. In addition, the Board decided that the letter to the IPSASB should include the following comments:

- (a) it would be essential for the IPSASB to have Board members and staff members with experience and knowledge in sustainability reporting to be successful in developing sustainability reporting guidance;
- (b) to keep pace with the ISSB's work and the work of other sustainability standard setters, the IPSASB should consider aligning its priority sustainability reporting topics with the plans of those standard setters; and
- (c) when developing public-sector-specific sustainability reporting guidance, the IPSASB should not aim to merely align with the ISSB's objectives and principles but should consider the specific needs of users of public sector sustainability information and develop guidance to cater for those needs. The IPSASB should consider:
 - (i) developing sustainability reporting guidance that would address the wide range of accountability obligations of a government to its community, and not focus only on the activities of a government or an entity;
 - (ii) given that private sector entities have a different focus, whether the objectives and principles of any private-sector sustainability standards or guidance would apply to public sector entities;
 - (iii) whether users would require information at a public sector entity level, a departmental level and/or a whole-of-government level;
 - (iv) the scope and frequency of sustainability reporting that would provide useful information to users. For example, users might benefit from disclosures that

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- highlight any significant movements from the prior year, rather than an annual update on all in-depth scenario analysis;
- (v) the materiality threshold for disclosing sustainability information that would result in reporting that would meet users' needs;
- (vi) whether there would be an overlap between the information presented in service performance reports and sustainability reports; and
- (vii) whether the benefits to users would outweigh the implementation costs and ongoing compliance costs.

A subcommittee of the Board will finalise the comment letter out of session, after considering any further stakeholder feedback.

[7.1](#) Cover memo: IPSASB Sustainability consultation paper

7.2 Staff paper: Working draft comment letter to the IPSASB *[Board only]*

June 2022

Sustainability Reporting

The Board received an update on the key themes of the feedback from outreach events to date and responses to AASB Exposure Draft 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*.

The majority of the stakeholders were supportive of:

- (a) the scope and direction of the AASB's and the ISSB's work on sustainability-related financial reporting; and
- (b) implementing sustainability-related financial reporting in Australia.

Many attendees raised concerns about:

- (a) the scalability of the proposals in the ISSB's two initial Exposure Drafts – although the ISSB has stated that all entities in the for-profit sector can apply these proposals, small and medium-sized entities typically would be unable to implement and apply the proposals due to:
 - (i) the complexity of the proposals (for example, proposals for the disclosure of Scope 3 greenhouse gas emissions disclosures and scenario analysis); and
 - (ii) the lack of sufficient and affordable resources available in the market (for example, the lack of sufficiently skilled personnel and the cost of software that would be needed to obtain the data required to comply with the proposals);
- (b) the current skill gap in the domestic and international markets – for example, these attendees said that the resources to implement the proposals currently do not exist (or exist only in a limited form in larger for-profit sector entities) and would need to be built over time through education; and
- (c) the auditability and enforceability of the ISSB's proposals – some attendees said that auditors would be unable to determine or test an entity's compliance with the proposals in [Draft] IFRS S1 given how open-ended the proposals are.

The AASB's submission to the ISSB will be finalised via a subcommittee due to the timing of the comment period, taking into account further feedback from stakeholders.

[4.1](#) Cover memo: Sustainability Reporting

[4.3](#) Staff paper: Key themes from feedback received to date

4.3.1 Staff summary of Melbourne preparer-focused roundtable *[Board only]*

4.3.2 Staff summary of Melbourne general stakeholder-focused roundtable *[Board only]*

AASB Action Alert Update, Minutes and Board Papers

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	<p>4.3.3 June 2022 AASB-AUASB Sustainability Reporting Project Advisory Panel meeting minutes <i>[Board only]</i></p> <p>4.3.4 Staff summary of the extractive activities, energy, renewables and utilities industry-focused roundtable <i>[Board only]</i></p> <p>4.3.5 Staff summary of the food, beverage and agriculture industry-focused roundtable <i>[Board only]</i></p> <p>4.3.6 Staff summary of Sydney preparer-focused roundtable <i>[Board only]</i></p> <p>4.3.7 Staff summary of Sydney preparer-focused roundtable <i>[Board only]</i></p> <p>4.3.8 Submissions received to date—Peter Wells</p> <p>IPSASB Consultation Paper <i>Advancing Public Sector Sustainability Reporting</i></p> <p>Subject to considering stakeholders' views on the IPSASB Consultation Paper (CP) <i>Advancing Public Sector Sustainability Reporting</i>, the Board decided to support the IPSASB's Preliminary Views:</p> <ul style="list-style-type: none">(a) there is a need for global public-sector-specific sustainability reporting guidance;(b) the IPSASB's experience, processes and relationships would enable it to develop global public sector-specific sustainability reporting guidance effectively;(c) develop general and financial sustainability disclosure guidance and broader public-sector-specific sustainability disclosure guidance, working in collaboration with other international bodies where appropriate;(d) general requirements for sustainability-related information and climate-related disclosures should be addressed first; and(e) the following enablers would be needed for the IPSASB to develop global public-sector-specific sustainability reporting guidance:<ul style="list-style-type: none">(i) additional financial and human resources;(ii) establishment of an advisory Sustainability Reference Group;(iii) IPSASB members' time;(iv) coordination and engagement with other international sustainability reporting standard setters; and(v) regular dialogue with national standard setters. <p>The Board will consider comments from stakeholders on the CP and a draft submission to the IPSASB at its next meeting. The submission will be prepared jointly with the FRC and the AUASB.</p> <p>4.2 Staff paper: Overview of IPSASB Consultation Paper <i>Advancing Public Sector Sustainability Reporting</i></p> <p>4.2.1 IPSASB Consultation Paper <i>Advancing Public Sector Sustainability Reporting</i></p>
May 2022	<p>The Board supported the draft Sustainability Reporting project plan. The principal objective of the project is to help preparers of general purpose financial reports meet the evolving information needs of financial report users by developing a separate set of reporting standards for sustainability-related financial information.</p> <p>The key themes of feedback from outreach activities on AASB Exposure Draft ED 321 Request for Comment on ISSB [Draft] IFRS S1 <i>General Requirements for Disclosure of</i></p>

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Sustainability-related Financial Information and [Draft] IFRS S2 *Climate-related Disclosures* will be discussed at the Board's next meeting.

The Board will consider whether to proceed to develop Australian sustainability standards after considering the responses to ED 321 at a future meeting.

[6.1](#) Cover memo: Sustainability Reporting

[6.2](#) Staff paper: [Draft] Sustainability Reporting project plan

[6.2.1](#) 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*

[6.3](#) Staff paper: Update on selected international and jurisdictional perspectives

April 2022

The Board discussed the objective of a project on sustainability reporting. It made a preliminary decision to focus on the development of reporting requirements for sustainability-related financial information, which is consistent with the proposed work of the International Sustainability Standards Board (ISSB) of the IFRS Foundation.

In order to inform any possible future development of a separate suite of Australian sustainability reporting standards by the Board, it decided to publish an Exposure Draft to consult on the ISSB's Exposure Drafts on [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Disclosures* and [Draft] IFRS S2 *Climate-related Disclosures*. The Board decided to publish these Exposure Drafts in Australia to:

- (a) gather feedback to assist the Board to provide input into the ongoing work of the ISSB; and
- (b) inform the Board as to the appropriateness of and support for its proposed approach to sustainability-related financial reporting in Australia.

A draft project plan will be considered at its next meeting.

[3.1](#) Cover memo: Sustainability Reporting

[3.2](#) Staff Paper: Proposed project scope

3.3 ISSB Exposure Draft on [Draft] IFRS S2 *[Board only]*

[3.4](#) Staff paper: *General Requirements for Disclosure of Sustainability-related Financial Information* Prototype

3.5 [Draft] Australian wrap-around for exposure draft on ISSB Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 *[Board only]*

February 2022

The Board considered feedback on ITC 46 *AASB Agenda Consultation 2022–2026* regarding its proposed Sustainability Reporting project. The Board noted significant support for the Board to undertake a project on this topic and decided to add a project to its work program. The Board noted that the positioning of sustainability reporting requirements in the Australian reporting environment and clearly defining the scope of the work on

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sustainability reporting should be a priority when developing a draft project plan for future consideration.

The Board made the following preliminary decisions to assist staff in developing the draft project plan:

- (a) the work of the International Sustainability Standards Board (ISSB) should be used as the foundation, with modification for Australian matters and requirements. The Board further clarified that the focus for the project should be to prioritise international alignment and only amend (or add to) international sustainability reporting requirements where it is necessary to do so to meet the needs of Australian stakeholders;
- (b) in developing any modifications for Australian-specific circumstances, the Board noted the importance of leveraging off the work of existing sustainability reporting standard-setters and framework providers; and
- (c) the initial scope of the project relates to for-profit entities, with the draft project plan to address how to respond to feedback from for-profit entities of all sizes, not only larger listed entities. The Board decided to consider the not-for-profit sector at a later stage and asked staff to continue to engage with not-for-profit private and public sector entities in considering the initial project development.

The Board considered the preliminary work on the sustainability reporting due process and decided to apply its existing Due Process Framework for Setting Standards.

Staff will bring a draft project plan for the Board's consideration to a future Board meeting.

- [3.1](#) Cover memo: Sustainability Reporting
- [3.2](#) Staff Paper: Background to global sustainability reporting
- [3.3](#) Staff Paper: Australian and selected jurisdictional perspectives
- [3.4](#) Staff paper: Feedback summary—ITC 46 *AASB Agenda Consultation 2022-2026*
- [3.5](#) Staff Paper: Feedback summary—ITC 48 *Extended External Reporting*
- [3.6](#) Staff Paper: Preliminary academic literature review
- 3.7 Staff Paper: Preliminary research findings *[Board only]*
- [3.8](#) Staff Paper: Positioning sustainability reporting requirements in Australia
- [3.9](#) Staff Paper: The proposed Australian perspective