



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

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

Project status

- Consulting with stakeholders to receive feedback on proposals

Other

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

AASB Outreach

- Roundtables on ED 321
- Submissions to ED 321
- Roundtable discussion on ITC 46 held in February 2022
- Submissions to ITC 46
- Submissions to ITC 48
Extended External Reporting

Board deliberations

- AASB Action Alert Update and Board Papers

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
27 June 2022	June 2022 Action Alert
20 May 2022	May 2022 Action Alert
8 April 2022	April 2022 Action Alert
28 February 2022	February 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

Meeting Date	Update
June 2022	<p>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 <i>Request for Comment on ISSB [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures</i>.</p> <p>The majority of the stakeholders were supportive of</p> <ul style="list-style-type: none">(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. <p>Many attendees raised concerns about:</p> <ul style="list-style-type: none">(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:<ul style="list-style-type: none">(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. <p>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.</p> <ul style="list-style-type: none">4.1 Cover memo: Sustainability Reporting4.2 Staff paper: Overview of IPSASB Consultation Paper <i>Advancing Public Sector Sustainability Reporting</i>4.3 Key themes from feedback received to date
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 <i>Request for Comment on ISSB [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures</i> will be discussed at the Board's next meeting.</p> <p>The Board will consider whether to proceed to develop Australian sustainability reporting standards after considering the responses to ED 321 at a future meeting.</p>

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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| | <p>6.1 Cover memo: Sustainability Reporting</p> <p>6.2 [Draft] Sustainability Reporting project plan</p> <p>6.3 Update on selected international and jurisdictional perspectives</p> <p>6.4 Research Update: Climate Scenario Disclosure <i>[Board only]</i></p> |
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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.

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| | <p>3.1 Cover memo: Sustainability Reporting</p> <p>3.2 Staff Paper: Proposed project scope</p> <p>3.3 ISSB Exposure Draft on [Draft] IFRS S2 <i>[Board only]</i></p> <p>3.4 Staff paper: <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> Prototype</p> <p>3.5 [Draft] Australian wrap-around for exposure draft on ISSB Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 <i>[Board only]</i></p> |
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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 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;

AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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| | <p>(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</p> <p>(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.</p> |
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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