



Project:	Sustainability Reporting	Meeting	AASB May 2023 (M195)
Topic:	Update on international and jurisdictional perspectives	Agenda Item:	9.1
		Date:	24 April 2023
Contact(s):	Aanchal Bhandari abhandari@asb.gov.au Siobhan Hammond shammond@asb.gov.au	Project Priority:	High
		Decision-Making:	-
		Project Status:	-

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 - 30)
 - (d) International Accounting Standards Board (IASB) (paragraphs 31)
 - (e) UK Endorsement Board (UKEB) (paragraphs 32 - 33)
 - (f) European Financial Reporting Advisory Group (EFRAG) (paragraphs 34)
 - (g) Update on selected jurisdictional sustainability reporting perspectives (paragraphs 35 - 42)
 - (h) 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 those developments since the Board's meeting in March 2023.¹

¹ See March 2023 AASB [Agenda paper 15.1 Sustainability Reporting: Update on international and jurisdictional perspectives.](#)

IFRS Foundation

Accounting Standards Advisory Forum (ASAF) meeting

Connectivity between the IASB and the ISSB²

- 5 At the March 2023 ASAF meeting, the ASAF discussed the connectivity between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. Both the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB) clarified how they intend to work together to achieve better general-purpose financial reporting and information for investors.

IFRS Foundation Trustees—Due Process Oversight Committee (DPOC)

- 6 The IFRS Foundation Due Process Oversight Committee (DPOC) met on 1 March 2023 in Tokyo and discussed:
- (a) the due process followed in the development of [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures* (see paragraph 7); and
 - (b) the request from ISSB staff to have shortened comment periods of 90 days (as opposed to the 120-day comment period required by the IFRS Due Process Handbook) for two forthcoming ISSB consultation documents, which will consult on the ISSB’s agenda priorities and the approach to internationalising SASB Standards (see paragraphs 8-10).

Due process ‘lifecycle’ review of the development of [Draft] IFRS S1 and [Draft] IFRS S2

- 7 The DPOC reviewed the development of [Draft] IFRS S1 and [Draft] IFRS S2 and concluded that all mandatory due process steps had been undertaken in the development of [Draft] IFRS S1 and [Draft] IFRS S2 and that the ISSB could progress to issue the two Standards.

Request for approval of shortened comment periods

- 8 The ISSB sought approval to shorten the comment period from the standard 120 days (as specified in the IFRS Foundation Due Process Handbook) to 90 days for two forthcoming consultation documents:
- (a) a request for information (RFI) for the ISSB’s consultation on agenda priorities; and
 - (b) an exposure draft for the methodology to enhance the international applicability of SASB Standards.
- 9 The DPOC agreed that the ISSB could set a 90-day comment period for an exposure draft for the methodology to enhance the international applicability of SASB Standards. However, for the RFI on the consultation on agenda priorities, the DPOC raised the following points that should be considered before the ISSB decides on the comment period:
- (a) whether stakeholders have enough time to consider and respond to the RFI;
 - (b) possibility of stakeholders questioning the quality of the standards as a result of making an exception to the 120-day comment period requirement in the Due Process Handbook;
 - (c) the expected overlap of the consultation period of the RFI with the issuance of [Draft] IFRS S1 and IFRS S2; and
 - (d) the need to allow time for translation of the RFI.

² See March 2023 ASAF [Agenda Paper 5 Connectivity between the IASB and the ISSB](#).

- 10 The DPOC approved the shortened comment period subject to the ISSB considering the DPOC's comment and ratifying this decision.³

International Sustainability Standards Board (ISSB)

March ISSB meeting

- 11 The ISSB met on 16 March 2023 and discussed:
- (a) its anticipated consultation on agenda priorities (Paragraphs 12-15); and
 - (b) the international applicability of the SASB Standards (Paragraphs 16-18).

*ISSB Consultation on Agenda Priorities*⁴

- 12 After considering the final decisions on the requirements of [Draft] IFRS S1 and [Draft] IFRS S2 at its February 2023 meeting, the ISSB revised its approach to the connectivity project. The revised approach will help to get more useful feedback regarding prioritising elements of its work plan. In addition, through the revised approach, the ISSB can ensure that any potential future projects are appropriately additive to [Draft] IFRS S1 and [Draft] IFRS S2. Therefore, the ISSB tentatively decided that within the Request for Information, it would:
- (a) expand the scope of the potential project on connectivity in reporting to:
 - (i) focus on integration in reporting; and
 - (ii) consider integrated disclosures beyond the requirements related to connected information in [Draft] IFRS S1 and [Draft] IFRS S2;
 - (b) include a discussion related to connected information in [Draft] IFRS S1 and [Draft] IFRS S2, which helps provide a context for the potential project on integration in reporting;
 - (c) present the potential project on integration in reporting as an ISSB project, with a possibility of it being pursued jointly with the IASB, rather than presenting it as a joint project between the IASB and ISSB; and
 - (d) structure the questions in a way that elicits input about how the project on integration in reporting should be pursued.
- 13 Consequently, the ISSB also tentatively agreed that, in the request for information, it would seek feedback regarding:
- (a) the priority and urgency of the potential project on integration in reporting in comparison to the other potential research projects included in the request for information;
 - (b) whether this would be a formal joint project with the IASB, or an ISSB project that could seek input from the IASB when necessary; and
 - (c) whether the potential project should build on and incorporate concepts from the:
 - (i) IASB's Management Commentary project;
 - (ii) the Integrated Reporting Framework;
 - (iii) both IFRS Practice Statement 1 *Management Commentary* and Integrated Reporting Framework; or

³ See [Summary of the March IFRS Foundation Trustees meeting](#).

⁴ See March 2023 [Agenda Paper 2 Update on Consultation on Agenda Priorities](#).

(iv) from other sources.⁵

- 14 The ISSB staff noted that the IASB had received feedback both in response to its *Management Commentary Exposure Draft* and its *Third Agenda Consultation*, both of which were published prior to the establishment of the ISSB, indicating that the IASB should continue its Management Commentary project jointly with the ISSB.
- 15 The ISSB expects to publish its consultation on agenda priorities on four projects—biodiversity, human capital, human rights and integration in reporting—in May 2023.

*International Applicability of SASB Standards & Project Update*⁶

- 16 The ISSB received an update on the process of maintaining, enhancing, and improving the SASB Standards. The ISSB staff noted that the international applicability of the SASB Standards project is a targeted project to help with the application of SASB Standards in multiple jurisdictions.⁷ The ISSB staff noted that the objectives for the International Applicability of the SASB Standards project (International Applicability project) are to:
- (a) identify potential regional biases and jurisdictional-specific references that might be difficult for preparers operating in certain jurisdictions;
 - (b) ensure the SASB Standards are GAAP-agnostic without substantially altering the Standards' structure or original intent;
 - (c) remove jurisdiction-specific references without significantly altering the costs and benefits of application;
 - (d) replace jurisdiction-specific references with internationally applicable references where appropriate; and
 - (e) generalising applicable jurisdictional legal and regulatory references when necessary.
- 17 In terms of the process of implementing the International Applicability project, the ISSB staff noted that rather than exposing amendments to each SASB Standard separately for comment, the ISSB will only be consulting on the process and methodology for improving the international applicability of the SASB Standards. The ISSB will then only publish a Fatal Flaw draft prior to updating the SASB Standards.⁸
- 18 The ISSB was not asked to make any decisions on this matter at this meeting.

April ISSB supplementary meeting

- 19 The ISSB held a supplementary meeting on 4 April 2023.

*General Sustainability-related Disclosures - IFRS S1 transition relief*⁹

- 20 In response to the feedback received on [Draft] IFRS S1 and [Draft] S2 regarding the wide scope of [Draft] IFRS S1, the ISSB tentatively decided to introduce a transition relief in [Draft] IFRS S1, allowing the entities to report only on climate-related risks and opportunities in the first year they apply [Draft] IFRS S1 and [Draft] IFRS S2. Entities would begin reporting on their full sustainability-related risks and opportunities, beyond climate, in the second year of application (i.e. entities would only be required to comply with the requirements in [Draft] IFRS S2 in the first year of applying IFRS Sustainability Disclosure Standards).

⁵ See March 2023 [ISSB Update](#).

⁶ See March 2023 [Agenda Paper 8 International Applicability of the SASB Standards](#).

⁷ This project is separate from the work the ISSB has discussed regarding climate-specific disclosures in [Draft] IFRS S2 *Climate-related Disclosures* in which the ISSB has indicated an intention to require the use of these disclosures at a future date.

⁸ The Fatal Flaw draft will include detailed revisions to the non-climate-related content for each of the SASB Standards.

⁹ See April 2023 [Agenda Paper 3 Transition Relief](#).

- 21 Consistent with the ISSB’s decision in February 2023, climate-related disclosures would still be required for annual reporting periods beginning on or after 1 January 2024. It is to be noted that the relief would not be mandatory.
- 22 The ISSB also tentatively decided that if an entity uses this transition relief, it:
- (a) would be required to disclose that fact; and
 - (b) could extend the previously agreed transition relief in [Draft] IFRS S1 related to disclosing comparative information such that the entity would not be required to disclose comparative information related to its other sustainability-related financial information in the first year it discloses that information. For the avoidance of doubt, comparative information for climate-related financial information would be required in the second year.¹⁰
- 23 Overall, the ISSB has so far decided to provide the following reliefs for the first year that entities apply IFRS Sustainability Disclosure Standards wherein the entities will not be required to:
- (a) disclose information about sustainability-related risks and opportunities beyond climate-related information;
 - (b) provide annual sustainability-related disclosures at the same time as the related financial statements;
 - (c) disclose comparative information;
 - (d) disclose scope 3 greenhouse gas emissions; and
 - (e) disclose information about using the Global Greenhouse Gas Protocol to measure emissions, if they are currently using a different approach.

April ISSB meeting

Due process steps and permission to publish the Request for Information¹¹

- 24 At its April 2023 meeting, the ISSB discussed the due process steps and permission to publish a request for information on its agenda priorities. The ISSB staff considered the points raised by the DPOC (see paragraph 9) to understand whether a shorter comment period of 90 days would be appropriate for the upcoming RFI.
- 25 On the one hand, the ISSB noted that the RFI will seek input on a list of four potential projects primarily via online survey responses to inform the ISSB’s two-year work plan and hence, a 90-day comment period could be appropriate. On the other hand, a longer, 120-day comment period may allow stakeholders enough time to garner an understanding of the contents of the RFI and form a response. Consequently, the ISSB agreed with the staff recommendation and decided to publish the RFI with a 120-day comment period. The ISSB was satisfied that all mandatory due process steps have been undertaken to date. The ISSB expects to publish the request for information in May 2023.

International Applicability of SASB Standards¹²

- 26 At its April 2023 meeting, the ISSB discussed the Exposure Draft *Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates*

¹⁰ See [Supplementary ISSB Update April 2023](#).

¹¹ See ISSB April 2023 Agenda Paper 2 [Due process steps and permission to publish the Request for Information](#).

¹² See ISSB April Agenda Paper 8A [Ratification of the Methodology Exposure Draft](#).

(Methodology Exposure Draft).¹³ The ISSB staff recommended that the ISSB set a 90-day comment period for the Methodology Exposure Draft since it is a focused document describing the procedure to amend the SASB Standards. A 90-day comment period would enable the ISSB to publish the amended SASB Standards before the end of the year as [Draft] IFRS S1 (effective from periods beginning on or after 1 January 2024) requires entities to refer to the SASB Standards in the absence of a suitable IFRS Sustainability Disclosure Standard. The ISSB tentatively decided to ratify the Methodology Exposure Draft and agreed to set a 90-day comment period on the Exposure Draft. The ISSB was satisfied that it has complied with the applicable due process steps. The ISSB expects to publish the Exposure Draft in May 2023.

- 27 The Methodology Exposure Draft will list out the five revision approaches which have been developed for the methodology:
- (a) Revision Approach 1: Under revision approach 1, the ISSB proposes to replace a jurisdiction-specific reference with an equivalent international reference. This approach will be adopted if the information guiding a preparer remains substantially the same, regardless of where the preparer operates.
 - (b) Revision Approach 2: Under this approach, in the case where there aren't any relevant international references that can be applied, the ISSB proposes to replace the jurisdiction-specific reference with definitions that are likely to be internationally applicable.
 - (c) Revision Approach 3: In the case where Revision Approach 2 cannot be applied without introducing significant amounts of incremental content, the ISSB proposes to replace jurisdiction-specific references with text that would rely on applicable jurisdictional laws, regulations or definitions in a generalised way.
 - (d) Revision Approach 4: In the case where Revision Approaches 1–3 are not feasible, the next approach is to consider whether the metric associated with the jurisdiction-specific reference can be removed without leaving the disclosure topic incomplete.
 - (e) Revision Approach 5: If Revision Approach 4 has been proposed or a sub-metric has been removed when implementing Revision Approaches 1–3, the ISSB staff could consider whether to draft a similar replacement metric.

Sustainability Standards Advisory Forum (SSAF)

- 28 The inaugural Sustainability Standards Advisory Forum (SSAF) was held on 17 April 2023 in Frankfurt, Germany. The topics for discussion included:
- (a) **Signing of the Memorandum of Understanding (MoU):** The IFRS Foundation and the SSAF signed a MoU.¹⁴
 - (b) **Update on ISSB work:** The SSAF members received an update on projects in the ISSB work plan, ISSB priorities, steps to adoption and application of [Draft] IFRS S1 and [Draft] IFRS S2 and capacity building.¹⁵
 - (c) **Agenda Priorities – Request for Information and Outreach Plan:** The SSAF members were provided with an overview of the forthcoming RFI seeking feedback on the ISSB's next work plan which is expected to be issued in May 2023.¹⁶

¹³ See ISSB April Agenda Paper 8B Proposed Exposure Draft [Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates](#).

¹⁴ See April 2023 SSAF meeting [Introduction and Signing of the Memorandum of Understanding](#).

¹⁵ See April 2023 SSAF meeting [Update on ISSB work](#).

¹⁶ See April 2023 SSAF meeting [Overview of the Request for Information](#) and [Outreach Planning](#).

- (d) **Agenda planning:** The SSAF discussed the potential planning and topics for the remaining SSAF meeting for 2023. The proposed dates for the SSAF meeting include the week commencing 24 July and 23 October and will be focussing their discussion on the consultation on agenda priorities and improving the international applicability of SASB Standards.¹⁷
- (e) **ISSB and IASB Connectivity:** The SSAF members received an update on ISSB and IASB connectivity.¹⁸

Integrated Reporting and Connectivity Council (IRCC)

- 29 The IRCC will hold its second meeting on 25 April 2023. At the upcoming meeting, the IRCC will review a comparison between Management Commentary and Integrated Reporting Framework (<IR> Framework).
- 30 The initial analysis of the paragraph-by-paragraph comparison indicates that:
 - (a) management commentary and integrated reports have similar objectives and provide insights for assessing an entity’s prospects. At times, integrated reports are adapted to meet the information needs of other audiences;
 - (b) the Management Commentary Exposure Draft and the <IR> Framework incorporate similar principles and notions of value creation. An entity’s ‘resources and relationships’ or ‘capitals’ play an important role in both documents; and
 - (c) while the way the requirements are specified can be different, the proposed guidance in the Management Commentary Exposure Draft and the <IR> Framework should result in similar information being provided in the disclosures.¹⁹

International Accounting Standards Board (IASB)

Climate-related Risks in the Financial Statements²⁰

- 31 In March 2023, the IASB commenced its narrow-scope research project on Climate-related Risks in the Financial Statements. This project complements the work of the ISSB and facilitates connectivity in general-purpose financial reports.²¹

UK Endorsement Board (UKEB)

- 32 In April 2023, the UKEB announced the establishment of its National Standard-Setters (NSS) Sustainability Forum.²² The forum was created to develop an understanding and possible solutions to connectivity issues between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. AASB Acting Sustainability Reporting Director Siobhan Hammond and AASB Technical Director Nikole Gyles have been appointed as members of the NSS Sustainability Forum.
- 33 The UKEB also announced the establishment of its Sustainability Working Group (SWG) which will advise the secretariat on the connectivity between IFRS Accounting Standards and IFRS Sustainability Disclosure Standards.²³

¹⁷ See April 2023 SSAF meeting [Agenda planning](#).

¹⁸ See April 2023 SSAF meeting [ISSB and IASB Connectivity](#).

¹⁹ See April 2023 IRCC meeting [Management Commentary Exposure Draft and the Integrated Reporting Framework](#).

²⁰ See IASB March 2023 [Agenda paper 14 Climate-related Risks in the Financial Statements](#).

²¹ See [Connectivity in practice: the IASB’s new project on Climate-related Risks in the Financial Statements](#)

²² See [UKEB NSS Sustainability Forum Appointments](#).

²³ See [UKEB Sustainability Working Group Appointments](#).

European Financial Reporting Advisory Group (EFRAG)

- 34 In March 2023, the EFRAG issued a set of Basis for Conclusions to complement the first set of European Sustainability Reporting Standards (ESRS). The first set of ESRS was submitted to the European Commission for finalisation in November 2022.²⁴

Update on selected jurisdictional sustainability reporting perspectives

Canada

- 35 In March 2023, the Independent Review Committee on Standard Setting in Canada (IRCSSC) published its final report titled Independent Review Committee on Standard Setting in Canada.²⁵ The report provides a review of the governance and structure for establishing Canadian accounting, auditing, and assurance standards.
- 36 The IRCSSC noted that a Canadian sustainability standards board is needed to support the adoption of IFRS Sustainability Disclosure Standards and to ensure that Canada continues to have international influence. In June 2022, the oversight councils of Canada announced their approval of the formation of the Canadian Sustainability Standards Board (CSSB).
- 37 In April 2023, the CSSB announced the appointment of the chair and initial board members. Charles-Antoine St-Jean (FCPA, FCA) has been appointed as the Chair of the CSSB. Charles-Antoine most recently served as the IFRS Foundation regional director-Americas, where he assisted with the implementation of ISSB operations in Canada and the Americas. Initial members include:
- (a) Bindu Dhaliwal, Senior Vice-President, Corporate Governance & ESG, CIBC;
 - (b) Alyson Slater, Managing Director and Head of Sustainable Investment in Canada, Public Markets, Manulife Investment Management; and
 - (c) Raylene Whitford, Chair, Indigenous Advisory Council, TC Energy Ltd. and former Partner, Global Indigenous Community of Practice Lead, Deloitte.²⁶
- 38 It is expected that the CSSB will be operational, with all board members appointed, by June 2023.

United Kingdom (UK)

- 39 In March 2023, the [UK Government published a revised Green Finance Strategy](#). This is the second edition of the Green Finance Strategy and strives to advance UK's position as green finance and investment leader. The five objectives it aims to deliver are:
- (a) support the UK financial services industry in growth and competitiveness;
 - (b) drive additional private investment in the green economy;
 - (c) promote financial stability;
 - (d) incorporate nature and climate adaptation into the strategy; and
 - (e) align capital flows with climate and nature objectives.
- 40 In terms of the IFRS Sustainability Disclosure Standards, the document notes that the UK government intends to launch a formal assessment mechanism to assess the appropriateness of those Standards for entities in the UK. This will begin once the forthcoming Standards are issued in June 2023. Further standards will be similarly assessed as they are published.

²⁴ See [EFRAG issues the set of Basis for conclusions to complement the first set of draft ESRS](#).

²⁵ See [Independent Review Committee on Standard Setting in Canada](#).

²⁶ See [Canada Sustainability Standards Board](#).

- 41 In February 2023, the UK Competition and Markets Authority (CMA) issued a draft guidance on environmental sustainability agreements for consultation. The draft guidance is designed to help businesses seeking to work together on environmental sustainability initiatives by providing greater clarity on how to assess these projects under UK competition law.²⁷

Malaysia

- 42 In March 2023, the Malaysian Government announced that the Bursa Malaysia and the London Stock Exchange Group will launch a centralised sustainability reporting platform to help companies calculate the impact of their carbon emissions and disclose environmental, social or governance (ESG) data in accordance with established global standards.²⁸

Question to Board members

Question to Board members

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

²⁷ See [UK competition law and the quest for net zero](#).

²⁸ See [Bursa Malaysia, LSE Group to start sustainability reporting platform in April](#)