Australian Government Australian Accounting Standards Board		**Staff paper**	
Project:	**Sustainability Reporting**	**Meeting:**	AASB February 2023 (M193)
Topic:	**GSSB Draft Work Program 2023-2025**	**Agenda Item:**	6.1
		Date of Agenda Paper	23 January 2023
Contact(s):	Joanna Spencer jspencer@aasb.gov.au Siobhan Hammond shammond@aasb.gov.au	**Project Priority:**	High
		Decision-Making:	Medium
		Project Status:	Consider draft comment letter

Objective

1   The objective of this paper is for the Board to agree on the [draft] comment letter response to the Global Reporting Initiative's (GRI) Global Sustainability Standards Board (GSSB) public consultation for its 2023-2025 Work Program.

Attachments

Agenda Paper 6.1.1   [Draft] AASB comment letter on GSSB Draft Work Program 2023-2025

Agenda Paper 6.1.2   Draft GSSB Work Program 2023-2025 for public consultation [Supporting Material]

Structure

2   This paper is structured as follows:

(a)   Summary of staff recommendations (paragraph **Error! Reference source not found.**)

(b)   Background (paragraphs 4-6);

(c)   Draft GSSB Work Program 2023-2025 (paragraphs 7-35);

(d)   Project schedule 2023 (paragraphs 36-37)

(e)   Appendix A—List of GRI Sector Standards

(f)   Appendix B—GRI Proposed Work Program – GRI Topic Standards.

Summary of staff recommendations

3   Staff recommend that the [draft] comment letter to the Draft GSSB Work Program 2023-2025:

(a)   support the prioritisation of the revision of GRI Topic Standards as set out in Table 1 of Agenda Paper 6.1.2;

(b)   support the prioritisation of the development of a new GRI Topic Standard to address digitalisation, data protection, cybersecurity, and privacy;

(c)   support the prioritisation of the development of new GRI Sector Standards as set out in Table 2 of Agenda Paper 6.1.2 and recommend that sectors in priority groups 2, 3, and 4 (see Appendix A) are not given a higher priority;

(d)   encourage the GRI to continue to form connections with other standard-setters and international organisations as appropriate; and

(e)   encourage ongoing collaboration between the GRI and the International Public Sector Accounting Standards Board (IPSASB) and recommend that this relationship be utilised to progress a GRI Sector Standard for the public sector.

Background

4   The GSSB is the standard-setting board of the GRI. GRI Standards enable organisations to understand and report on their impacts on the economy, environment, and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development. GRI Standards are relevant to many stakeholders including investors, policymakers, capital markets, and civil society.

5   GRI Standards are reviewed regularly to ensure they reflect global best practices for sustainability reporting. To that end, the GSSB has published for public consultation a draft work program for 2023-2025. The GSSB has proposed an ambitious work program that has an aim of reviewing all existing GRI Standards within a four-year cycle. This will guarantee the GRI Standards keep pace with evolving global sustainability reporting developments and expectations about organisational transparency.

6   At its December 2022 (M192) meeting the Board agreed[1], as part of its ongoing work on the Sustainability Reporting project, to respond to the GSSB on its work program for 2023-2025. Comments to the GSSB are due by 17 February 2023.

Draft GSSB Work Program 2023-2025

7   The Draft GSSB Work Program 2023-2025 (Draft Work Program) invites comments on the activities and priorities set out in the GSSB's proposed work program for 2023-2025 and the accompanying Project Schedule for 2023.

8   In addition, the GSSB asks stakeholders to consider the following questions:

(a)   Should the GSSB change the order of prioritisation of the existing GRI Topic Standards for review during the period covered by this work program (see paragraphs 10-12 for staff analysis and recommendations)?

(b)   Which topics should the GSSB prioritise for the development of new GRI Topic Standards during the period covered by this work program (see paragraphs 16-15 for staff analysis and recommendations)?

(c)   Are there any sectors currently listed in priority groups 2, 3, and 4 in the list of prioritised sectors that should be prioritised for development during the period covered by this work program (see paragraphs 16-25 for staff analysis and recommendations)?

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1   See December 2022 (M192) Agenda Paper 10.1 *Documents open for comment by other organisations*.

(d)   What activities or materials should the GSSB prioritise with regard to cooperation with other standard-setting bodies and international organisations (see paragraphs 26-35 for staff analysis and recommendations)?

9   The Draft Work Program proposes three main functions:

(a)   Development of GRI Standards (see paragraphs 10-25);

(b)   Implementation of GRI Standards (see paragraphs 26-27); and

(c)   Cooperation with other standard-setting bodies and international organisations (see paragraphs 30-35).

<u>Development of GRI Standards</u>

Revision of GRI Topic Standards

10   The planned revisions for GRI Topic Standards for 2023-2025 (in order of priority) are set out in Table 1 on page 8 of Agenda Paper 6.1.2. This table indicates work has already commenced on revising GRI 304: *Biodiversity* 2016, labour-related GRI Topic Standards (addressed by various GRI Standards), and climate change-related GRI Topic Standards (addressed by various GRI Standards). Staff agree with the prioritisation of the revision of those GRI Topic Standards (related to biodiversity, labour and climate change) as these topics broadly align with the anticipated direction of the ISSB.[2] Furthermore, respondents to ITC 46 *AASB Agenda Consultation 2022–2026* (ITC 46) highlighted that topics such as biodiversity and human rights are important topics to be included in a project on sustainability reporting.[3] Respondents to ITC 46 also highlighted that international alignment should be a high priority for the Board as it works towards addressing sustainability reporting.

11   Of the other GRI projects yet to commence, the project addressing indigenous peoples and local communities is also likely to be highly relevant for the Australian context as feedback to ED 321 highlighted the need to consider indigenous culture as part of sustainability reporting in Australia.[4]

12   Consequently, staff recommend the comment letter to the Draft Work Program support the GSSB's proposed prioritisation of the revision of the GRI Topic Standards as set out in Table 1 of the public consultation document (see Agenda Paper 6.1.2).

Development of new GRI Topic Standards

13   The Draft Work Program notes that feedback from the GRI's Oil, Gas and Coal Working Group indicated there are gaps in GRI Standards relating to cybersecurity and data privacy. Therefore, the Draft Work Program proposes grouping topics related to digitisation, data protection, cybersecurity, and privacy for development of a new topic standard with the research stage set to commence in 2023 and a related project to commence in 2024.

14   Respondents to ITC 46 highlighted that data privacy and management is an important sustainability reporting topic that could follow after the Board's work on climate.[5] Furthermore, given the recent

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2   The ISSB has already exposed IFRS S2 *Climate-related Disclosures,* and a final pronouncement is expected in Q1 2023.
Further, the ISSB agreed to propose four projects for prioritisation in its upcoming consultation on agenda priorities:
- biodiversity, ecosystems and ecosystems services;
- human capital;
- human rights; and
- connectivity in reporting with the IASB.
https://www.ifrs.org/news-and-events/news/2022/12/issb-announces-guidance-and-reliefs-to-support-scope-3-ghg-emiss/

3   See February 2022 (M185) Agenda Paper 3.4 *Sustainability Reporting: Feedback summary—ITC 46 AASB Agenda Consultation 2022-2026*.

4   See https://www.aasb.gov.au/media/ylwp41rf/3-4_sr_feedbacksummary_itc46_m185_pp.pdf paragraph 24

5   See February 2022 (M185) Agenda Paper 3.4.

high profile data breaches,[6] staff agree with the prioritisation of the development of a new topic standard that addresses disclosures related to cybersecurity etc.

15   Consequently, staff recommend the Board support the proposed prioritisation of this proposed topic standard.

Question to Board Members

Q1   Do Board members agree with the staff recommendations regarding prioritisation of:
         (a)   the revision of GRI Topic Standards (see paragraphs 10-12); and
         (b)   the development of a new GRI Topic Standard addressing cybersecurity and data privacy (see paragraphs 13-15)?

Development of new GRI Sector Standards

16   GRI Sector Standards are designed to help identify a sectors most significant impacts and reflect stakeholder expectations for sustainability reporting. Whilst GRI Sector Standards are not required to be complied with when preparing a report in accordance with the GRI Standards, they are used to help entities within particular sectors to identify which GRI Topic Standards are most relevant to their sector.

17   Currently there are three GRI Sector Standards:

        (a)   GRI 11: *Oil and Gas Sector* 2021;

        (b)   GRI 12: *Coal Sector* 2022; and

        (c)   GRI 13: *Agriculture, Aquaculture and Fishing Sectors* 2022.

18   The GRI Sector Program aims to develop 40 sector standards in total (see Appendix A to this paper). The planned development of GRI Sector Standards for 2023-2025 (in order of priority) are set out in Table 2 on page 11 of Agenda Paper 6.1.2. This table indicates work has already commenced on a GRI Sector Standard for mining. Other sectors that have been prioritised in this draft work program include: textile and apparel, food and beverages, financial services, utilities, forestry, and metal processing.

19   Given there are already sector standards for Oil and Gas and Coal, it is understandable that a sector standard for mining be prioritised for development. Furthermore, given the significance of the mining industry in Australia and the potential impact on the environment and sustainability in general, staff agree with the prioritisation of the development of a sector standard for mining. Staff also agree with the prioritisation of a sector standard for metal processing as many mines process minerals onsite, and the prevalence of other metal processing plants in Australia.

20   Staff are of the view that the forestry sector may have a significant impact on biodiversity, the environment, and climate change (both positive and negative impacts). As noted in paragraph 10, the ISSB indicated that they intend to develop a standard addressing biodiversity. Further, respondents to ITC 46 indicated that biodiversity was an important sustainability reporting topic that could be addressed after climate. As such, a GRI Sector Standard for forestry will assist this sector in determining which topic disclosures are relevant. Therefore, staff agree with the prioritisation of developing a GRI Sector Standard for forestry.

21   Although not previously identified by Australian stakeholders as being of priority, staff consider that the textile and apparel sector has the potential to have a significant impact on the environment and

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6   See Optus reveals more than 2 million customers had personal ID numbers compromised in cyber attack - ABC News (October 2022) and Medibank admits personal data stolen in cyber attack - ABC News (October 2022).

human rights, therefore we agree with the prioritisation of developing a GRI Sector Standard for textile and apparel.

22   Staff do not consider any sectors listed in priority groups 2, 3, and 4 (see Appendix A) should be prioritised for development before those sectors listed in Table 2 of Agenda Paper 6.1.2.

23   However, whilst GRI Standards can be used by any organisation, staff note that there is currently no specific guidance that takes into consideration the particular aspects of the public sector. The draft work program proposes that a research project be undertaken, in collaboration with the IPSASB, and other jurisdictional and national standard-setters, to understand existing practices and needs, to develop a workable structure for sustainability reporting in the public sector.

24   Feedback from public sector stakeholders to ITC 46,[7] ITC 48 *Extended External Reporting*[8] 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*[9] were supportive of sustainability reporting and the Board expanding its scope of activities to address sustainability reporting. However, as highlighted by feedback from the public sector, staff are aware that any standards issued by the ISSB will only have an investor focus and therefore may not be suitable for use by the public sector. Therefore, staff consider that the GSSB can fill this gap by developing a GRI Sector Standard that addresses public sector specific issues.

25   Consequently, staff recommend that the comment letter to the Draft Work Program:

(a)   support the proposed prioritisation of GRI Sector Standards; and

(b)   recommend that the work on developing a GRI Sector Standard for the public sector be advanced as soon as practical.

Question to Board Members
Q2:   Do Board members agree with the staff recommendation in paragraph 25?

Implementation of GRI Standards

26   In addition to developing GRI Standards, the GSSB supports the implementation of GRI Standards by ensuring that GRI Standards are accessible and by developing materials to support their consistent interpretation and application.

Digital Taxonomy

27   The Draft Work Program indicates that the GSSB intends to allocate resources to develop a digital taxonomy that will allow users of GRI Standards to report in a digital format. It is intended that this digital taxonomy will be compatible with those developed by other standard-setting bodies and they will seek to develop this taxonomy in conjunction with them.

28   Staff note that there are currently multiple jurisdictions working independently on green taxonomies or taxonomies addressing sustainability reporting (for example, the ISSB, the United Kingdom and the European Union). Consequently, we are of the view that the compatibility of a

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7   See February 2022 (M185) Agenda Paper 3.4.

8   See February 2022 (M185) Agenda Paper 3.5 *Sustainability Reporting: Feedback summary—ITC 48 Extended External Reporting*.

9   See November 2022 (M191) Agenda Paper 3.2.2 *Sustainability Reporting: Feedback summary—ED 321 Request for Comment on ISSB [Draft] IFRS S1 and [Draft] IFRS S2 (Australian-specific questions)*.

digital taxonomy is a key factor toward achieving alignment of international sustainability standards, which could enhance interoperability.

29   Therefore, staff recommend encouraging the GSSB to continue developing a digital taxonomy that is compatible with other sustainability reporting standard-setters and framework providers.

Question to Board members

Q3:   Do Board members agree with the staff recommendation regarding the compatibility of a digital taxonomy?

Cooperation with partners (other standard-setting bodies and international organisations)

30   The GSSB already has a number of agreements in place to cooperate with global and jurisdictional standard-setting bodies, with an aim to ensure complementarity and interoperability between standards. For example, a memorandum of understanding is held between the GRI and the IFRS Foundation that their respective standard-setting boards (GSSB and ISSB) seek to coordinate work programs and standard-setting activities.

31   The GSSB provides support to the Sustainability Reporting Board (SRB) of the European Financial Reporting Advisory Group (EFRAG) for the development of European Sustainability Reporting Standards (ESRS) – this support will continue.

32   Discussions have been undertaken with the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) with an aim to contribute to their agendas for sustainability reporting.

33   The GSSB is also exploring a collaboration with the IPSASB to address the needs of the public sector for specific guidance on sustainability reporting.

34   The GSSB is also committed to working closely with various international organisations (e.g. United Nations (UN), Organisation for Economic Co-operation and Development (OECD), and the International Labour Organization (ILO)) when developing GRI Standards to ensure they are in line with any authoritative intergovernmental instruments.

35   Staff recommend that the comment letter encourage the GRI continue to form connections with other standard-setters and international organisations as appropriate. Staff also recommend encouraging ongoing collaboration between the GSSB and the IPSASB and that this relationship be utilised to progress a GRI Sector Standard for the public sector.

Question to Board members

Q4:   Do Board members agree with the staff recommendation in paragraph 35?

Project Schedule 2023

36   The Project Schedule 2023 (Appendix 1 of Agenda Item 6.1.2) outlines the anticipated schedule for projects to be undertaken in 2023. The schedule is divided into GRI Sector Standards and GRI Topic Standards. This table reflects the prioritisation of projects set out in Table 1 and Table 2 of the Draft Work Program (Agenda Paper 6.1.2) that will be prioritised and progressed in 2023.

37   To help the Board visualise the timeline for this Draft Work Program, at Appendix B staff have constructed the work program in a chart format for 2023-2025.

Questions to Board members

Questions to Board members
Q5: Are there any other aspects Board members would like to include in the comment letter to this draft work program?
Q6: Does the AASB agree with the draft comment letter provided as Agenda Paper 6.1.1?

Appendix A – List of GRI Sector Standards

1   In 2019 the GSSB approved the GRI Sector Program to improve clarity and consistency in sustainability reporting. The aim of the Sector Program is to develop GRI Sector Standards for 40 to 45 high-impact sectors.

2   After consideration to feedback received on the GSSB Work Program 2020-2022 the following 40 sectors will be considered for the Sector Program.

Sector	Description of activities
Group 1: Basic materials and needs	
Oil and gas	Exploration and production of oil and gas; suppliers of equipment and services to oil and gas fields; storage and transportation; refining and marketing of oil and gas products.
Coal	Exploration and extraction of coal; suppliers of equipment and services to coal mines; storage and transportation; refining and marketing of coal products.
Agriculture, aquaculture, and fishing	Agriculture, animal husbandry, aquaculture, and fishing. Including rubber but excluding hunting and forestry.
Mining	Exploration and extraction of minerals, except coal; suppliers of equipment and services to mining; storage and transportation; refining and marketing of minerals.
Food and beverages	Manufacturing of food, beverages and tobacco.
Textiles and apparel	Manufacturing and retail of textiles, apparel, footwear, and accessories.
Banking	Commercial banks; consumer finance; savings institutions; mortgage finance; micro-finance institutions
Insurance	Life, non-life, and reinsurance.
Capital markets	Asset owners and managers, investment banks, custody, and stock exchanges.
Utilities	Electricity generation (except renewables), transmission and distribution; gas utilities and distributors; water utilities and services; waste management.
Renewable energy	Solar and wind project developers; biofuels producers; producers of fuel cells and industrial batteries.
Forestry	Forestry and logging, production of pulp and paper.
Metal processing	Steel and aluminum production; smelting and processing of other metals.

Group 2: Industrial

Construction materials	Production of cement, concrete, tiles, bricks, glass and other construction materials, except steel and timber.
Aerospace and defense	Manufacturing of aircrafts and weapons.
Automotive	Production of road vehicles and auto parts, retail and repair of road vehicles, car rental and leasing.
Construction	Construction of buildings, civil engineering and other construction activities.
Chemicals	Manufacturing of chemical products, including plastics and fertilizers.
Machinery and equipment	Manufacturing of machines and equipment, including ships and trains. Can include all heavy industry not specified elsewhere.
Pharmaceuticals	Manufacturing of pharmaceuticals products; research and development of idem, biotechnology.
Electronics	Manufacturing and design of electronic products, including computers, mobile phones and their components; semiconductors.

Group 3: Transport, infrastructure and tourism

Media and communication	Telecom operators, media companies, printing industry.
Software	Software and related services.
Real estate	Real estate developers and services associated.
Transportation infrastructure	Operation of roads, railways, ports, airports, etc.
Shipping	Transportation services by water.
Trucking	Transportation services by road.
Airlines	Passenger airlines.
Trading, distribution, and logistics	Freight transportation by rail or plane, postal and other logistical services, storage services, trading services.
Packaging	Containers and packaging.
Hotels	Management of hotels, resorts and other leisure spaces.

Group 4: Other services and light manufacturing

Educational services	Education services at all levels, including online education.
Household durables	Manufacturing of furniture, household appliances, toys, sporting goods and similar. Can include all light manufacturing not specified elsewhere.

Managed health care	Health care services, including veterinary.
Medical equipment and services	Manufacturing of medical supplies and equipment.
Retail	All retail services except automotive. Repair services.
Security services and correctional facilities	Provision of security services, management of correctional facilities.
Restaurants	Restaurants, bars and cafes; catering services.
Commercial services	Professional services, including lawyers, accountants, consultants, advertising and marketing; business process outsourcing.
Non-profit organizations	Non-governmental organizations, foundations, professional and civic associations, charities.

Appendix B—GRI Proposed Work Program – GRI Topic Standards

Project	Standards Impacted	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2025
Biodiversity	GRI 304: *Biodiversity 2016*		Consultation		Publication							
Labor	GRI 202: *Market Presence 2016* GRI 401: *Employment 2016* GRI 402: *Labor/Management Relations 2016* GRI 404: *Training and Education 2016* GRI 405: *Diversity and Equal Opportunity 2016* GRI 406: *Non-discrimination 2016* GRI 407: *Freedom of Association and Collective Bargaining 2016* GRI 408: *Child Labor 2016* GRI 409: *Forced or Compulsory Labor 2016* GRI 414: *Supplier Social Assessment 2016*	Started				Consultation					Publication	

Project	Standards Impacted	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2025
Climate Change	GRI 302: Energy 2016 GRI 305: Emissions 2016 GRI 201: Economic Performance 2016		Start						Consultation			
Spills and Leaks – Critical incident management	New Topic (GRI 306: *Effluents and Waste 2016*)						Start					
Economic Impacts	GRI 201: *Economic Performance 2016* GRI 202: *Market Prescence 2016* GRI 203: *Indirect Economic Impacts 2016*				Start					Consultation		
Indigenous peoples and local communities	GRI 411: *Rights of Indigenous Peoples 2016* GRI 413: *Local Communities 2016*									Start		
Security Practices	GRI 410: *Security Practices 2016*									Start		
Anti-corruption and public policy	GRI 205: *Anti-corruption 2016* GRI 206: *Anti-competitive Behavior 2016* GRI 415: *Public Policy 2016*									Start		

Project	Standards Impacted	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2025
Customer Privacy	GRI 418: *Customer Privacy 2016*							Start				
Customer Impact	GRI 416: *Customer Health and Safety 2016* GRI 417: *Marketing ad Labeling 216*											Start
Circularity and material resources	GRI 301: *Materials 2016* GRI 306: *Waste 2020*											Start
Procurement practices	GRI 204: *Procurement Practices 2016* GRI 308: *Supplier Environmental Assessment 2016* GRI 414: *Supplier Social Assessment 2016*											Start

GRI Proposed Work Program – Sector Standards

Project Sector	Q1-2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2025
Mining	Started			Consultation		Publication						
Textile and Apparel			Started						Consultation			Publication
Food and Beverages				Start								
Financial Services • Banks • Insurance • Capital Markets				Start						Consultation		Publication
Utilities								Start	Start	Start	Start	
Renewable Energy								Start	Start	Start	Start	
Forestry												Start
Metal Processing												Start