



Project:	Sustainability Reporting	Meeting	AASB June 2023 (M196)
Topic:	Update on international and jurisdictional perspectives	Agenda Item:	15.1
		Date:	6 June 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 5-7)
 - (c) International Sustainability Standards Board (ISSB) (paragraphs 8-13)
 - (d) European Financial Reporting Advisory Group (EFRAG) (paragraphs 14-16)
 - (e) Update on selected jurisdictional sustainability reporting perspectives (paragraphs 17-23)
 - (f) 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 May 2023.¹

IFRS Foundation

IFRS Advisory Council

- 5 In April 2023, the IFRS Advisory Council discussed the approach for facilitating market use of the IFRS Foundation's sustainability-related resources. Nicolai Lundy, Chief of Market

1 See May 2023 [Agenda Paper 9.1 Sustainability Reporting—Update on international and jurisdictional perspectives](#).

Relationships, presented an overview of the planned approach for facilitating market acceptance of the IFRS Sustainability Disclosure Standards. The three objectives of the approach include:

- (a) Establishing the structures, systems, and relations to ensure that market participants engage in standard-setting.
- (b) Ensuring investor use and support of the IFRS Sustainability Disclosure Standards.
- (c) Ensuring corporate support for the IFRS Sustainability Disclosure Standards.

6 The IFRS Foundation is intending to focus on change management for audiences to move on from the Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD Recommendations) or US Sustainability Accounting Standards Board (SASB) Standards to IFRS Sustainability Disclosure Standards. For audiences who are unfamiliar, the IFRS Foundation will focus on raising awareness and supporting understandability of the IFRS Sustainability Disclosure Standards.^{2 3}

7 The ISSB also provided an update on the latest developments.⁴ In addition to that, the ISSB also noted:

- (a) they have been involved in several capacity-building activities in jurisdictions to implement [Draft] IFRS S1 and IFRS S2.
- (b) the importance of working with the European Union (EU) and the Global Reporting Initiative (GRI) to develop sets of disclosures that are more interoperable, although, interoperability should not be the way jurisdictions approach the adoption or endorsement of IFRS [Draft] S1 and IFRS S2.
- (c) the ongoing engagement with the International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA), and further noted the ISSB's decisions designed to mitigate assurability challenges of requirements of [Draft] IFRS S1 and IFRS S2.

The council members encouraged the ISSB to also engage with non-traditional partners and also suggested that the ISSB develop an adoption guide.

International Sustainability Standards Board (ISSB)

8 In May 2023, the ISSB published two documents for public consultation:

- (a) [Request for Information Consultation on Agenda Priorities](#) (RFI) to develop and pursue its two-year work plan (see Agenda Paper 13 *Sustainability Reporting—ISSB Request for Information Consultation on Agenda Priorities* for staff analysis and recommendations related to the RFI); and
- (b) [Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates](#) (Methodology ED) to enhance the international applicability of non-climate-related industry-based metrics in the SASB Standards (see Agenda Paper 14 *Sustainability Reporting—ISSB Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates* for staff analysis and recommendations related to the ED).

2 See April 2023 IFRS Advisory Council [Agenda Paper 5 Facilitating market acceptance of the IFRS Foundation's sustainability-related resources](#).

3 See April 2023 [IFRS Advisory Council Meeting Summary](#).

4 See April 2023 IFRS Advisory Council Agenda Paper 4 [Update on the ISSB's Activities](#).

May ISSB meeting

- 9 The ISSB met in May 2023 and discussed the ratification of consequential amendments to the SASB Standards in relation to [Draft] IFRS S2 *Climate-Related Disclosures*.⁵ The SASB Standards Board Advisor Group approved the consequential amendments and recommended that the ISSB ratify them to maintain alignment between the SASB Standards and [Draft] IFRS S2.⁶
- 10 The ISSB has separated the consequential amendments to the climate-related industry-based metrics in SASB Standards into two categories being:
- (a) revisions to align the SASB Standards with the application guidance in [Draft] IFRS S2 on the topic of financed emissions; and
 - (b) revisions to align the SASB Standards with the industry-based illustrative examples to accompany [Draft] IFRS S2. These revisions include:
 - (i) revisions to metrics to enhance their international applicability;
 - (ii) revisions to metrics to remove unnecessary inconsistencies across multiple industries;
 - (iii) removal of metrics where staff have not identified a feasible way to improve their international applicability;
 - (iv) revisions to convert units of measure to the International System of Units (SI) (for example, changing “square feet” to “square metres”); and
 - (v) editorial revisions from application of the IFRS Style Guide.⁷
- 11 The ISSB tentatively decided to ratify the amendments to climate-related industry-based metrics in SASB Standards as described in paragraph 10.
- 12 In ratifying the amendments to the climate-related industry-based metrics in SASB Standards described in paragraph 10, the ISSB confirmed it was satisfied that the applicable due process requirements had been complied with. The ISSB expects to issue the amendments to the climate-related industry-based metrics in SASB Standards in June 2023.⁸

Sustainability Consultative Committee (SCC)

- 13 The SCC met in April 2023 and discussed the Capacity Building programme and ISSB’s Consultation on Agenda Priorities.⁹ Discussion on the agenda priorities touched on topics such as:
- (a) development of digital taxonomies and XBRL;
 - (b) the scope of, and delineation between proposed thematic topic areas – particularly regarding human capital and human rights;
 - (c) connectivity; and
 - (d) leveraging existing work such as the Taskforce on Nature-related Financial Disclosure (TNFD) for nature-related financial disclosures.

5 The revisions discussed in this paper are separate from the proposed revisions to the non-climate-related SASB Standards content discussed in the Methodology ED.

6 At its October 2022 meeting, the IFRS Trustees’ Due Process Oversight Committee (DPOC) agreed that no further public consultation on those revisions would be required in order to proceed with corresponding amendments to the SASB Standards because the revisions had been exposed for public comment as part of [Draft] IFRS S2.

7 See May 2023 ISSB [Agenda Paper 6 Maintenance of the SASB Standards—Ratification of consequential amendments to the SASB Standards](#).

8 See [ISSB Update May 2023](#).

9 See April 2023 [Sustainability Consultative Committee \(SCC\) Meeting Summary](#).

European Financial Reporting Advisory Group (EFRAG)

- 14 In June 2023, the EFRAG published its draft comment letters on:
- (a) the RFI (see paragraph 15); and
 - (b) the Methodology ED (see paragraph 16).

*RFI*¹⁰

- 15 EFRAG recommended the ISSB focus on the following:
- (a) a clear direction of travel with a definition of the universe of sustainability-related information to be ultimately covered and of the corresponding underlying concepts,
 - (b) interoperability in structure and content with other sustainability reporting standards; and
 - (c) connectivity to be included as a priority topic in the work plan.

*Methodology ED*¹¹

- 16 EFRAG generally agreed with the proposed methodology as it would improve the international applicability of the SASB Standards, however, note the following improvements could be made:
- (a) acceptable comparability level maintained when working with national references; and
 - (b) the ratification status of international references.

Update on selected jurisdictional sustainability reporting perspectives

United Kingdom (UK)

- 17 In response to the growing demand for the provision of non-financial information, the Department for Business and Trade (DBT), working with the Financial Reporting Council (UK FRC) is conducting a review of the non-financial reporting requirements companies in the UK need to comply with to produce their annual report and to meet broader requirements that sit outside of the Companies Act.¹²
- 18 The UK Government had previously noted in its [2023 Green Finance Strategy](#) that it intends to launch a formal assessment mechanism for the forthcoming IFRS Sustainability Disclosure Standards. The DBT noted that it will be important that future requirements to report against UK-endorsed sustainability reporting standards are coherent within the wider body of UK law. The public consultation will close on 16 August 2023.

Canada

- 19 In April 2023, the Canadian Securities Administrators (CSA), published a consultation document proposing changes to the corporate governance disclosure practices and guidelines.¹³ The proposed amendments relate to the director nomination process, board renewal and diversity. They would require disclosure on aspects of diversity beyond the representation of women while retaining the current disclosure requirements with respect to women. The CSA also proposed to further improve corporate governance guidelines relating to the director nomination process and introduce guidelines regarding board renewal and diversity. The public consultation period closes on 12 July 2023.

10 See [EFRAG's Draft comment letter on ISSB RFI on Agenda Priorities](#).

11 See [EFRAG'S Draft comment letter on ISSB Methodology ED](#).

12 See [Smarter regulation non-financial reporting review: call for evidence](#).

13 See [Canadian securities regulators propose changes to corporate governance disclosure practices and guidelines](#).

European Union (EU)

- 20 In response to the announcement made by the president of the European Commission (EC) that the EC would seek to put forward concrete proposals to simplify reporting requirements and reduce disclosure requirements by approximately 25%, the US Chamber of Commerce to the EU wrote to the EC. The letter welcomed the comments and further requested to align, where possible, the European Sustainability Reporting Standards (ESRS) with the ISSB.¹⁴
- 21 The letter further noted that while they support the objectives of the EU's Corporate Sustainability Reporting Directive (CSRD), they were concerned about the anticipated complexity and detail of the draft ESRS. They further noted that reducing and streamlining the disclosure requirements would facilitate the successful implementation of the ESRS in practice.
- 22 In light of the above announcement, there are growing concerns that the EC may make significant revisions to the proposed ESRS, such as, postponing the implementation of the ESRS, introducing materiality assessments for certain standards instead of making them mandatory, and making some standards voluntary.¹⁵

Malaysia

- 23 In May 2023, the Securities Commission Malaysia (SC), with endorsement from the Ministry of Finance, set up a national-level Advisory Committee on Sustainability Reporting (ACSR) to support the implementation of the IFRS Sustainability Disclosure Standards in Malaysia. The ACSR will consider the approach and timeline for implementation of the IFRS Sustainability Disclosure Standards, whether the market meets the reporting requirements, and also the assurance of sustainability disclosures.¹⁶

Question to Board members

Question to Board members

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

14 See [Position paper - Letter on reduction of reporting requirements](#).

15 See [The Commission risks backtracking on corporate sustainability reporting](#).

16 See [SC sets up inter-agency committee to support the implementation of the ISSB Standards](#).