



# Globally consistent reporting for sustainability-related information Australian perspectives

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## Overview

In response to the growing global demand for high-quality, transparent, reliable and comparable reporting of sustainability-related information by entities, the International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB) on 3 November 2021.<sup>1</sup> This article provides an overview of the Australian perspective on the recent global sustainability-related developments and the considerations for what approach the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB)—collectively referred to as ‘the Boards’—may take in response to those developments.

The Boards intend to consider the work of the ISSB and other leading international frameworks and initiatives as we move towards developing sustainability-related reporting requirements in Australia.<sup>2</sup> In particular, the Boards are taking active steps to help ensure that Australia adopts reporting requirements that meet the needs of users of financial and other related information and supports Australia’s role in the international sustainability reporting environment.

<sup>1</sup> [www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/](https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/)

<sup>2</sup> Various terms, such as extended external reporting (EER) or sustainability reporting, have historically been used to refer to the reporting of financial and non-financial information outside the financial statements. However, recent global developments all commonly use the terms ‘sustainability reporting’ or ‘reporting of sustainability-related information’ to refer to both financial and non-financial information disclosed outside the financial statements.



## Establishment of the International Sustainability Standards Board

The Financial Reporting Council (FRC), AASB and AUASB have expressed support for the recent establishment of the ISSB and recognise the urgent demand for consistent and comparable disclosure of sustainability-related information.<sup>3</sup> The IFRS Foundation is well placed to leverage its success in developing IFRS as a global set of high-quality financial reporting standards to play a role in setting sustainability-related reporting standards and expanding its standard-setting activities into this area.

As noted by the IFRS Foundation, the urgent demand by investors for consistent and comparable information about climate-related matters means that the ISSB will initially focus on climate-related reporting while also working towards meeting information needs on other sustainability-related issues, such as environmental, sustainability and governance (ESG) matters.<sup>4</sup> In doing so, the ISSB will build upon the well-established work of the [Task Force for Climate-Related Financial Disclosures \(TCFD\) Recommendations](#) and work by the alliance of leading standard-setters and framework providers in sustainability reporting (see Appendix A).

<sup>3</sup> [eifrs.org/eifrs/comment\\_letters/570/570\\_27392\\_JAMESBARDENFinancialReportingCouncilFRCAustralianAccountingStandardsBoardAASBAndAuditingandAssuranceStandardsBoardAUASB\\_O\\_JointLettertoIFRS\\_CP\\_SustainabilityReporting\\_20201222.pdf](https://www.eifrs.org/eifrs/comment_letters/570/570_27392_JAMESBARDENFinancialReportingCouncilFRCAustralianAccountingStandardsBoardAASBAndAuditingandAssuranceStandardsBoardAUASB_O_JointLettertoIFRS_CP_SustainabilityReporting_20201222.pdf)

and

[eifrs.org/eifrs/comment\\_letters/590/590\\_28642\\_EvelynLingFinancialReportingCouncilAustralianAccountingStandardsBoardandtheAuditingandAssuranceStandardsBoard\\_O\\_JointLettertoIFRSTrustees\\_ED\\_SustainabilityReporting\\_20210729.pdf](https://www.eifrs.org/eifrs/comment_letters/590/590_28642_EvelynLingFinancialReportingCouncilAustralianAccountingStandardsBoardandtheAuditingandAssuranceStandardsBoard_O_JointLettertoIFRSTrustees_ED_SustainabilityReporting_20210729.pdf)

<sup>4</sup> [www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf](https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf)



While the ISSB will initially focus on climate-related reporting, it will also work towards meeting the information needs on other sustainability-related topics such as ESG matters. In doing so, the ISSB intends to develop a global baseline to improve the consistency and comparability of:<sup>5</sup>

- *a diverse range of sustainability reporting standards and frameworks that help entities communicate sustainability-related information*—these standards and frameworks seek to address the reporting of sustainability-related information to help users of this information better understand how entities create, maintain and erode value for internal and external stakeholders; and
- *a range of sustainability reporting initiatives by individual jurisdictions*—these jurisdictional initiatives are primarily developed by referring to the existing frameworks and standards for reporting sustainability-related information.

As part of the establishment of the ISSB:<sup>6</sup>

- the Value Reporting Foundation (VRF)<sup>7</sup> and Climate Disclosure Standards Board (CDSB) announced their intent to consolidate with the IFRS Foundation by June 2022; and
- the IFRS Foundation published two prototype standards for the disclosure of sustainability<sup>8</sup> and climate-related<sup>9</sup> financial information which were developed with consideration to the climate-related prototype standard<sup>10</sup> proposed by the alliance of leading sustainability standard-setters and framework providers (being the VRF, CDSB, CDP and Global Reporting Initiative).

By working with the alliance and key jurisdictions, it is the ISSB's intention, by issuing standards, to provide a globally consistent and comparable sustainability-related reporting baseline upon which jurisdictions can build on to capture other relevant matters (i.e. a 'building block approach').<sup>11</sup>

5 [www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf](https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf)

6 [www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/](https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/)

7 The VRF was established in June 2021 upon the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB).

8 [www.ifrs.org/content/dam/ifrs/groups/trwg/trwg-general-requirements-prototype.pdf](https://www.ifrs.org/content/dam/ifrs/groups/trwg/trwg-general-requirements-prototype.pdf)

9 [www.ifrs.org/content/dam/ifrs/groups/trwg/trwg-climate-related-disclosures-prototype.pdf](https://www.ifrs.org/content/dam/ifrs/groups/trwg/trwg-climate-related-disclosures-prototype.pdf) and [www.ifrs.org/content/dam/ifrs/groups/trwg/climate-related-disclosures-prototype-technical-protocols-supplement.pdf](https://www.ifrs.org/content/dam/ifrs/groups/trwg/climate-related-disclosures-prototype-technical-protocols-supplement.pdf)

10 [29kijwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Reporting-on-enterprise-value\\_climate-prototype\\_Dec20.pdf](https://29kijwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Reporting-on-enterprise-value_climate-prototype_Dec20.pdf)

11 [www.ifrs.org/news-and-events/news/2021/10/technical-readiness-working-group-purpose-and-progress/](https://www.ifrs.org/news-and-events/news/2021/10/technical-readiness-working-group-purpose-and-progress/)



## The Australian approach and role of the Boards<sup>12</sup>

In response to international developments, the FRC, AASB and AUASB recently released a [Position Statement on Extended External Reporting \(EER\) and Assurance](#) (Position Statement). This Position Statement outlines an approach by which the AASB intends to develop reporting requirements for sustainability-related information,<sup>13</sup> simultaneously with the relevant assurance standards developed by the AUASB, rather than via a separately established board at this time. The Boards announced their intention to establish reporting requirements for sustainability-related information that will, as far as is practicable, align with significant international developments in the same area.

The view expressed in the Position Statement is that this approach:

- most directly uses the significant experience that the AASB and AUASB have in standard-setting; and
- is best placed to succeed in bridging the gap between sustainability and traditional financial reporting.

The FRC will continue to provide strategic oversight of the Boards. The Position Statement also confirmed the findings of the IFRS Foundation that there is a strong demand for authoritative guidance on the reporting of sustainability-related information (in particular, climate-related financial information). At this stage, the FRC has expressed its support for the development of voluntary sustainability-related reporting requirements. However, this view may change depending on feedback from stakeholders and ongoing significant international developments for sustainability-related reporting.

<sup>12</sup> [www.aasb.gov.au/media/a3yn1thj/jointaasb\\_auasb\\_frc\\_policypositionstatement-11-21.pdf](http://www.aasb.gov.au/media/a3yn1thj/jointaasb_auasb_frc_policypositionstatement-11-21.pdf)

<sup>13</sup> The term extended external reporting has been adopted in Australia to cover this reporting area, which reflects the connection between the present system of financial reporting and financial and non-financial matters disclosed outside the financial statements, which refers to sustainability matters. This is consistent with the terminology adopted in New Zealand, with whose standard-setting bodies the Boards continue to work closely. However, for consistency of language and to reflect the international focus of this Staff Article, the term sustainability reporting has been used to clarify that the same broad subject matter is being discussed.



In addition to the release of the Position Statement, the Boards are also actively engaging with stakeholders, including:

<b>EER Project Advisory Panel</b>	In August 2021, the Boards established an EER Project Advisory Panel whose objectives include providing feedback and comments on sustainability-related reporting, thought leadership and other outputs from the Boards. The Panel consists of members with relevant expertise in sustainability-related matters that act in an advisory capacity, providing specific and industry technical expertise.
<b>EER Assurance Guidance</b>	Published in August 2021, the <a href="#">AUASB Bulletin</a> introduces the International Auditing and Assurance Standards Board's (IAASB) <a href="#">Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to EER Assurance Engagements</a> and provides the Australian context for the non-authoritative guidance published by the IAASB in 2021. The Bulletin also aims to assist assurance practitioners in navigating the guidance when undertaking EER assurance engagements under ASAE 3000 (Revised).
<b>AASB Agenda Consultation 2022-2026</b>	The AASB is seeking input from stakeholders on the potential projects it should address domestically as part of <a href="#">ITC 46 AASB Agenda Consultation 2022-2026</a> . As part of this outreach, the AASB is proactively gathering feedback from stakeholders on sustainability reporting to inform the Board on the potential scope and direction of the project.
<b>EER Invitation to Comment</b>	The AASB has released <a href="#">ITC 48 Extended External Reporting</a> to seek input from stakeholders on support for the voluntary adoption of the TCFD Recommendations. The AASB considers this approach an interim measure until such a time as the Board can clarify the potential scope and direction of the sustainability reporting project.



**Management Commentary** The International Accounting Standards Board (IASB) is seeking to revise IFRS Practice Statement 1 *Management Commentary*, which provides guidance to help entities prepare and disclose management commentary that complements their financial statements. The proposed guidance suggests that sustainability-related information is prepared and disclosed to the extent that it helps explain the matters reported in the financial statements and gives management's insights into factors that could affect the entity's future prospects.<sup>14</sup> The AASB completed their consultation for this project in October 2021 and has submitted a [comment letter](#) to the IASB.

**Research initiatives** The AASB has commenced several research initiatives to help inform its understanding of the key role of accounting standard-setters in enhancing the reporting of sustainability information by Australian businesses, including undertaking an analysis of the current reporting practices of Australian entities relating to sustainability information.

The AUASB has commenced two research initiatives which seek to inform its understanding of (i) the United Kingdom's experience with reporting sustainability-related information and a comparative study using Australia data; and (ii) a comparative analysis of the data collected in (i) on the reporting quality (including assurance practices) on the annual reports of the ASX 100 entities across 4 years including the economic impact analysis.

<sup>14</sup> [www.ifrs.org/projects/work-plan/management-commentary/](http://www.ifrs.org/projects/work-plan/management-commentary/)



## What is already happening in Australia?

In Australia, interest in sustainability and climate-related matters has increased significantly. Stakeholders are demanding more transparent, consistent and comparable information about an entity's value creation, retention and erosion. That is, stakeholders are demanding improved reporting for sustainability-related information, in particular climate-related risks and opportunities.

In Australia, most entities that disclose climate-related matters outside the financial statements<sup>15</sup> apply the TCFD Recommendations in conjunction with the National Greenhouse and Energy Reporting Act (2007), with the Australian Prudential Regulation Authority recommending that financial institutions apply the TCFD Recommendations when considering climate-related matters.<sup>16</sup>

The widely cited AASB/AUASB staff Bulletin *Climate-related risks and other emerging risks disclosures* released in 2019 provides guidance on assessing the financial statement effect of climate-related and other emerging risks.<sup>17</sup> In particular, the Bulletin explains that the effect of the definition of material and IFRS Practice Statement 2 *Making Materiality Judgements* (APS/PS 2) is that entities can no longer treat climate-related risks as merely a matter of corporate social responsibility and may need to consider them also in the context of their financial statements.

<sup>15</sup> Internal research undertaken by the AASB and AUASB on climate-related content in annual reports of listed entities for 2019/2020 indicates climate-related risk disclosures are included in the annual report. However, this predominantly resides outside the financial statements with only 8.5% of ASX500 entities having disclosed some form of climate-related content within the financial statements.

<sup>16</sup> [www.apra.gov.au/sites/default/files/2021-04/Draft%20CPG%20229%20Climate%20Change%20Financial%20Risks\\_1.pdf](http://www.apra.gov.au/sites/default/files/2021-04/Draft%20CPG%20229%20Climate%20Change%20Financial%20Risks_1.pdf)

<sup>17</sup> [www.aasb.gov.au/admin/file/content102/c3/AASB\\_AUASBJointBulletin.pdf](http://www.aasb.gov.au/admin/file/content102/c3/AASB_AUASBJointBulletin.pdf)



For example:

- entities preparing financial statements in accordance with Australian Accounting Standards should consider:
  - whether investors could reasonably expect that emerging risks, including climate-related risks, could affect the amounts and disclosures reported in the financial statements and have indicated the importance of such information to their decision making; and
  - what disclosures about the effect of climate-related risks and other emerging risks on the assumptions made in preparing the financial statements are material to the financial statements in light of the guidance on APS/PS 2;
- auditors of the financial statements may consider:
  - climate-related risk and other emerging risks as part of their risk assessment applying ASA 315 *Identifying and Assessing Risks of Material Misstatement*. If there is an assessed risk of material misstatement in the financial statements, the auditor responds appropriately to the risks of material misstatement applying ASA 330 *The Auditor's Responses to Assessed Risks*; and
  - whether climate-related risks and other emerging risks are relevant for accounting estimates, including assumptions used to arrive at a fair value estimate and potential impairment, applying ASA 540 *Auditing Accounting Estimates and Related Disclosures*.

Since 2016 auditors have been required to read and consider climate-related or similar disclosures outside the financial statements presented with the financial report and ensure that they are not materially inconsistent with the financial report in accordance with ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

Additionally, the AUASB in 2014 released Assurance Standards ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* which apply to assurance engagements in the areas of sustainability and EER. And more recently in April 2021, the IAASB issued *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to EER Assurance Engagements* which provides extensive guidance on the application of the International Assurance Standards on EER engagements. These Standards have been used in Australia when assurance on voluntary EER disclosure has been requested.



## Key jurisdictional developments

Whilst the establishment of the ISSB has dominated headlines in the past month, there are also several other significant international developments to highlight.

### **New Zealand External Reporting Board (XRB)**

In 2020, the New Zealand Government announced its intention to implement mandatory reporting on climate risks to build on the progress already made to tackle the climate crisis and tasked the XRB with developing related reporting standards.<sup>18</sup> In October 2021, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill was passed. As a result, the XRB now has the mandate to issue climate standards as part of a climate-related disclosures framework and guidance on ESG matters.<sup>19</sup>

Based on the TCFD Recommendations, in October 2021, the XRB published a consultation document for climate-related financial disclosures related to governance and risk management, the comment period for which closed on 22 November 2021.<sup>20</sup> This is the first of two draft standards, the second of which is expected to be published in 2022 and relates to strategy and metrics and targets.

The XRB aims to issue its first climate standard in December 2022, meaning that relevant entities would be required to make climate-related financial disclosures alongside wider year-end reporting in 2023 at the earliest.<sup>21</sup>

<sup>18</sup> [www.beehive.govt.nz/release/new-zealand-first-world-require-climate-risk-reporting](https://www.beehive.govt.nz/release/new-zealand-first-world-require-climate-risk-reporting)

<sup>19</sup> [www.xrb.govt.nz/extended-external-reporting/climate-related-disclosures/](https://www.xrb.govt.nz/extended-external-reporting/climate-related-disclosures/)

<sup>20</sup> [www.xrb.govt.nz/extended-external-reporting/climate-related-disclosures/consultation-and-engagement/governance-and-risk-management-consultation-document/](https://www.xrb.govt.nz/extended-external-reporting/climate-related-disclosures/consultation-and-engagement/governance-and-risk-management-consultation-document/)

<sup>21</sup> See above n 19.



### **European Financial Reporting and Advisory Group (EFRAG)<sup>22</sup>**

In 2021, the European Commission published its [proposed Corporate Sustainability Reporting Directive \(CSRD\)](#) and tasked EFRAG with commencing technical work to develop sustainability reporting standards consistent with CSRD. The standards will be tailored to European Union policies while building on and contributing to international standardisation initiatives.

The objective of the proposed CSRD is to:

- improve the reporting of sustainability-related information; and
- ensure it is disclosed in a company's management report.

The CSRD is expected to better leverage the potential of the European single market and to contribute to the transition to a fully sustainable and inclusive economic and financial system in line with the European Green Deal and the UN Sustainable Development Goals.

The European Commission and EFRAG are working towards the adoption of the first set of sustainability reporting standards by October 2022.

### **United Kingdom (UK)<sup>23</sup>**

In December 2020, the Financial Conduct Authority published its disclosure rules for UK premium-listed companies. These disclosure rules align with the TCFD Recommendations.

In October 2021, the UK Government published [Greening Finance: A Roadmap to Sustainable Investing](#) (Roadmap), which summarises the UK's approach to its commitment to developing Sustainable Disclosure Requirements (SDR). The Roadmap notes the UK Government's strong support of the establishment of the ISSB by the IFRS Foundation and sets out new requirements for sustainability disclosures for corporates, asset managers and investment products. Subject to further consultation, corporate disclosures will comprise reporting under proposed international standards issued by the ISSB and reporting of a company's sustainability against the UK Green Taxonomy.

Public consultation on mandatory SDR and a framework to adopt standards issued by the ISSB is expected in early 2022. The intention is that annual reports of the most economically significant companies will contain sustainability-related disclosures (which would include the disclosures required by the UK Green Taxonomy and ISSB standards) within one to two years of SDR and the related framework being legislated.

<sup>22</sup> [ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)

<sup>23</sup> [assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1031805/CCS0821102722-006\\_Green\\_Finance\\_Paper\\_2021\\_v6\\_Web\\_Accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1031805/CCS0821102722-006_Green_Finance_Paper_2021_v6_Web_Accessible.pdf)



## Canada<sup>24</sup>

In October 2021, the Canadian Securities Administrators (CSA) published [Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107 \*Disclosure of Climate-related Matters\*](#), the comment period for which closes 17 January 2022. The consultation document seeks to introduce mandatory disclosure requirements regarding climate-related matters for reporting issuers (other than investment funds). To support international alignment, including alignment with any future climate-related standard issued by the ISSB, the CSA's approach is based on the TCFD Recommendations.

The Independent Review Committee on Standard-Setting in Canada (the Committee) is also reviewing the governance and structure of existing Canadian accounting and auditing and assurance standards to help them identify what is needed to establish a Canadian Sustainability Standards Board. The consultation paper, which will outline why the Committee thinks an independent board is important and seek comments on the design of such a standard-setting body, is expected in December 2021.<sup>25</sup>

<sup>24</sup> [www.osc.ca/sites/default/files/2021-10/csa\\_20211018\\_51-107\\_disclosure-update.pdf](http://www.osc.ca/sites/default/files/2021-10/csa_20211018_51-107_disclosure-update.pdf)

<sup>25</sup> [www.newswire.ca/news-releases/what-an-international-sustainability-standards-board-means-for-canada-863993456.html](http://www.newswire.ca/news-releases/what-an-international-sustainability-standards-board-means-for-canada-863993456.html)



## Where to from here in Australia?

International developments in the reporting of sustainability-related information, particularly climate-related information, are moving rapidly. These developments highlight the need for Australia to remain flexible in its approach to help ensure:

- preparers of sustainability reports do not need to disclose different information to meet the reporting requirements of multiple jurisdictions;
- users of sustainability reports are receiving the information they need to make decisions; and
- assurance over sustainability reports is considered in parallel to the reporting requirements to meet the needs of preparers and users.

Further work on the assurance of sustainability-related information, particularly climate-related information, by the IAASB and the AUASB will occur in parallel to reporting developments. In its most recent Work Plan, the IAASB noted an urgent need to evaluate new or revised assurance standards that address the reporting of sustainability and ESG matters.

Stakeholder engagement will be critical to (i) the success of sustainability reporting in Australia and (ii) assist the Boards in influencing international developments to meet Australian stakeholder needs.



To support engagement with a broad range of stakeholders, the Boards intend to:

- undertake extensive stakeholder engagement (including regulators) in developing any future reporting requirements;
- maintain close links with the IFRS Foundation's ISSB in the development of the ISSB framework and standards to help ensure Australia's interests are appropriately represented;
- liaise with counterparts in other jurisdictions, particularly the XRB in New Zealand, to maintain consistency between jurisdictions as far as is possible and help ensure consistency with the Closer Economic Relations policy;<sup>26</sup> and
- liaise and influence the development of assurance standards or guidance on sustainability and climate-related reporting requirements by the IAASB.

It is imperative for Australia to keep pace with the international momentum in developing an international framework and standards for the reporting and assurance of sustainability and climate-related reporting and to continue to influence the direction of developments both in Australia and globally.

<sup>26</sup> [www.dfat.gov.au/sites/default/files/cer.pdf](http://www.dfat.gov.au/sites/default/files/cer.pdf)

## Appendix A: Who are the leading sustainability reporting standard-setters and framework providers?

There are many sustainability-related reporting initiatives; however, staff note the leading standard-setters and framework providers in this area are:



Created by the Financial Stability Board and considered the leading standard for climate-related risk disclosure, the TCFD provides a framework for entities to report on the risks and opportunities related to their business due to climate change. The TCFD Recommendations were first issued in 2017 and were later updated in 2021.



Established in June 2021 when the International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB) merged. The VRF brings together IIRC's Integrated Reporting <IR> Framework and the SASB Standards. The <IR> Framework helps entities explain how value is created over time, and the SASB Standards set disclosure requirements for enterprise value-relevant sustainability metrics by sector and industry.



Offers two frameworks for the reporting of environmental, capital and business impacts and climate change reporting. In addition, the CDSB provides resources and technical expertise that is needed to implement the TCFD Recommendations.



Formerly the Carbon Disclosure Project, the CDP collects, assesses and discloses information on the environmental performance of companies, cities and regions that focuses specifically on climate change, water security and forests. It also collects information on companies' supply chains.



The Global Reporting Initiative (GRI) provides a comprehensive framework for entities to report environmental, social, economic and governance disclosures for a wide range of stakeholders including investors. The framework has a much broader definition of material than the IFRS *Conceptual Framework for Financial Reporting*. It provides guidance on the content of management commentary in addition to more detailed disclosures for a range of sustainability issues, including greenhouse gas emissions, product responsibility, diversity, human rights and transparency.

<sup>27</sup> In November 2021, the VRF and CDSB announced their intention to consolidate with the IFRS Foundation by June 2022.

<sup>28</sup> See above n 27.



## Appendix B: Key milestones in the movement towards globally consistent reporting of sustainability-related information

<b>September 2015</b>	<i>Transforming our world: the 2030 Agenda for Sustainable Development</i> with its 17 Sustainable Development Goals (SDGs) was adopted at the United Nations (UN) Sustainable Development Summit. The UN SDGs recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth—all while tackling climate change and working to preserve oceans and forests. <sup>29</sup>
<b>December 2018</b>	The AASB and AUASB published <a href="#">Climate-related and other emerging risks disclosures</a> which, while not mandatory, represents the IASB's best practice interpretation of materiality in relation to the preparation of an entity's financial statements.
<b>November 2019</b>	The IASB published the article <a href="#">IFRS Standards and climate-related disclosures</a> to help investors understand what already exists in the current requirements and guidance on applying materiality and how it relates to climate and other emerging risks.
<b>2019-2020</b>	The IFRS Foundation Trustees reviewed the IFRS Foundation's five-year strategy and identified global consistency of sustainability reporting and sustainability financial reporting as a key matter for consideration. <sup>30</sup>

<sup>29</sup> [sdgs.un.org/goals](https://sdgs.un.org/goals)

<sup>30</sup> [www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf](https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf)



#### September 2020

The IFRS Foundation published a consultation paper asking three key questions: is there demand for global sustainability reporting standards; should the IFRS Foundation play a role in developing such standards, and what should that role be?<sup>31</sup> The IFRS Foundation received 577 responses.<sup>32</sup>

The leading sustainability standard-setters and framework providers (being the VRF, CDSB, CDP, and GRI) issued a Statement of Intent that set out a vision for a comprehensive EER system and commit to work together with the IFRS Foundation to achieve this.<sup>33</sup>

The World Economic Forum (WEF) International Business Council (IBC) published [Measuring Stakeholder Capitalism](#), which included metrics addressing the principles of governance, planet, people and prosperity. The metrics bring together work from the leading sustainability standards and frameworks.

The New Zealand Government announced its intention to implement mandatory reporting on climate risks and tasked the XRB with developing related reporting standards.<sup>34</sup>

#### October 2020

The IAASB published [Staff Audit Practice Alert The Consideration of Climate-Related Risks in an Audit of Financial Statement](#) to highlight areas of focus related to the consideration of climate-related risks when conducting an audit of financial statements in accordance with the International Standards on Auditing (ISA).

#### November 2020

The IASB published [Effects of climate related matters on financial statements](#) to support the consistent application of requirements in IFRS Standards when considering climate and other emerging risks.

#### December 2020

The leading sustainability reporting standard-setters and framework providers (being the VRF, CDSB, CDP and GRI) published [Reporting on enterprise value](#), a prototype climate-related financial disclosure standard that illustrates how their standards and frameworks could be combined to form the basis of a global standard that aligns to the TCFD Recommendations. It was intended to give the IFRS Foundation a platform to launch the development of globally consistent sustainability reporting standards.

31 [www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf](http://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/consultation-paper-on-sustainability-reporting.pdf)

32 See above n 30.

33 [29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf](https://29kjwb3armds2g3gi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf)

34 [www.beehive.govt.nz/release/new-zealand-first-world-require-climate-risk-reporting](http://www.beehive.govt.nz/release/new-zealand-first-world-require-climate-risk-reporting)

**February 2021**

The International Organisation of Securities Commissions (IOSCO) committed to working with the IFRS Foundation to develop an effective system for standard-setting for sustainability reporting.

**March 2021**

The IFRS Foundation confirmed there is significant support for them to establish a new board and that it intended to announce the establishment of an ISSB in time for the 2021 UN Climate Change Conference (COP26). The IFRS Foundation announced the formation of a Technical Readiness Working Group (TRWG) to provide technical input and committed to using the prototype (as above) as a potential basis for a new standard on climate-related disclosures. TRWG participants include representatives from the CDSB, IASB, TCFD and VRF with the WEF and IOSCO observing.<sup>35</sup>

The US Securities Exchange Commission (SEC) initiated a public consultation on disclosure rules and guidance for climate-related disclosures, proposed modifications, potential new SEC disclosure requirements and potential new disclosure frameworks.<sup>36</sup>

**April 2021**

The US President's international climate financial plan referenced a commitment to working with the IFRS Foundation and IOSCO to support and shape their work towards globally consistent climate-related financial disclosures.

The European Commission published its proposed CSRD.<sup>37</sup>

The IFRS Foundation published a feedback statement and an exposure draft of proposed amendments to the *Constitution* of the IFRS Foundation to accommodate the potential formation of a new ISSB within its existing governance structure.<sup>38</sup>

**April 2021**

The IAASB published [\*Non-Authoritative Guidance on Applying ISAE 3000 \(Revised\) to EER Assurance Engagements\*](#).

**May 2021**

The European Commission tasked EFRAG with developing sustainability reporting standards consistent with the European Union's CSRD.<sup>39</sup>

<sup>35</sup> [www.ifrs.org/news-and-events/news/2021/03/trustees-announce-working-group/](https://www.ifrs.org/news-and-events/news/2021/03/trustees-announce-working-group/)

<sup>36</sup> [www.sec.gov/news/public-statement/lee-climate-change-disclosures](https://www.sec.gov/news/public-statement/lee-climate-change-disclosures)

<sup>37</sup> [ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)

<sup>38</sup> [www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf](https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf)

<sup>39</sup> [ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en)



#### June 2021

G7 Finance Ministers and Central Bank Governors published a communiqué in which they announced their support of the IFRS Foundation's initiative on sustainability reporting.<sup>40</sup>

The IIRC and SASB merged to form the VRF and committed to delivering a more coherent EER system by working closely with the IFRS Foundation and other standard-setters and framework providers.<sup>41</sup>

IOSCO published [Report on Sustainability-related Issuer Disclosures](#) that detailed IOSCO's vision and expectations for the IFRS Foundation's work towards globally consistent sustainability reporting.

#### July 2021

G20 Finance Ministers and Central Bank Governors published a communiqué in which they welcomed the work of the IFRS Foundation toward globally consistent sustainability reporting building upon the TCFD framework and the work of existing standard-setters and framework providers.<sup>42</sup>

#### October 2021

Based on the TCFD Recommendations, the XRB published an initial draft of climate-related financial disclosures related to governance and risk management. This is the first of two draft standards, the final of which will be published in 2022 and relates to strategy and metrics and targets.<sup>43</sup>

Based on the TCFD Recommendations, the CSA published a consultation document on proposed National Instrument 51-107 *Disclosure of Climate-related Matters*. The consultation document is seeking to introduce mandatory disclosure requirements regarding climate-related matters for reporting issuers (other than investment funds).<sup>44</sup>

#### November 2021

Along with publishing two prototype sustainability and climate-related financial disclosure standards, the IFRS Foundation announced the formation of a new board, the ISSB. The VRF and CDSB also announced their intention to consolidate with the IFRS Foundation by June 2022.<sup>45</sup>

40 [www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communiqué/g7-finance-ministers-and-central-bank-governors-communiqué](https://www.gov.uk/government/publications/g7-finance-ministers-meeting-june-2021-communiqué/g7-finance-ministers-and-central-bank-governors-communiqué)

41 [www.valuereportingfoundation.org/news/iirc-and-sasb-form-the-value-reporting-foundation-providing-comprehensive-suite-of-tools-to-assess-manage-and-communicate-value/](https://www.valuereportingfoundation.org/news/iirc-and-sasb-form-the-value-reporting-foundation-providing-comprehensive-suite-of-tools-to-assess-manage-and-communicate-value/)

42 [www.g20.org/wp-content/uploads/2021/07/Communique-Third-G20-FM-CBG-meeting-9-10-July-2021.pdf](https://www.g20.org/wp-content/uploads/2021/07/Communique-Third-G20-FM-CBG-meeting-9-10-July-2021.pdf)

43 [www.xrb.govt.nz/extended-external-reporting/climate-related-disclosures/consultation-and-engagement/governance-and-risk-management-consultation-document/](https://www.xrb.govt.nz/extended-external-reporting/climate-related-disclosures/consultation-and-engagement/governance-and-risk-management-consultation-document/)

44 [www.osc.ca/sites/default/files/2021-10/csa\\_20211018\\_51-107\\_disclosure-update.pdf](https://www.osc.ca/sites/default/files/2021-10/csa_20211018_51-107_disclosure-update.pdf)

45 [www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/](https://www.ifrs.org/news-and-events/news/2021/11/ifrs-foundation-announces-issb-consolidation-with-cdsb-vrf-publication-of-prototypes/)