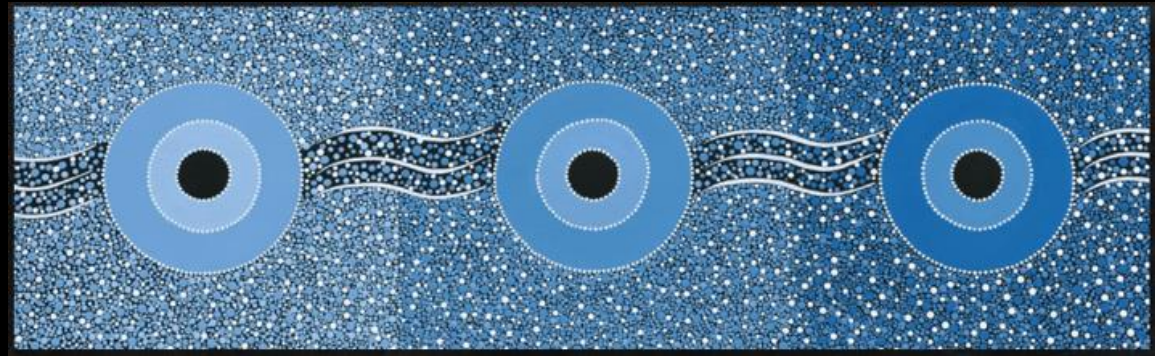




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Join us on the journey

Acknowledgement of Country



Artwork: Nyiirun Gathay Yayn.Giliyn ("Walking Together") by Birrbay artist Angela Marr-Grogan

Agenda

1

Sustainability reporting in
Australia

2

Getting to know the
IFRS Sustainability
Standards

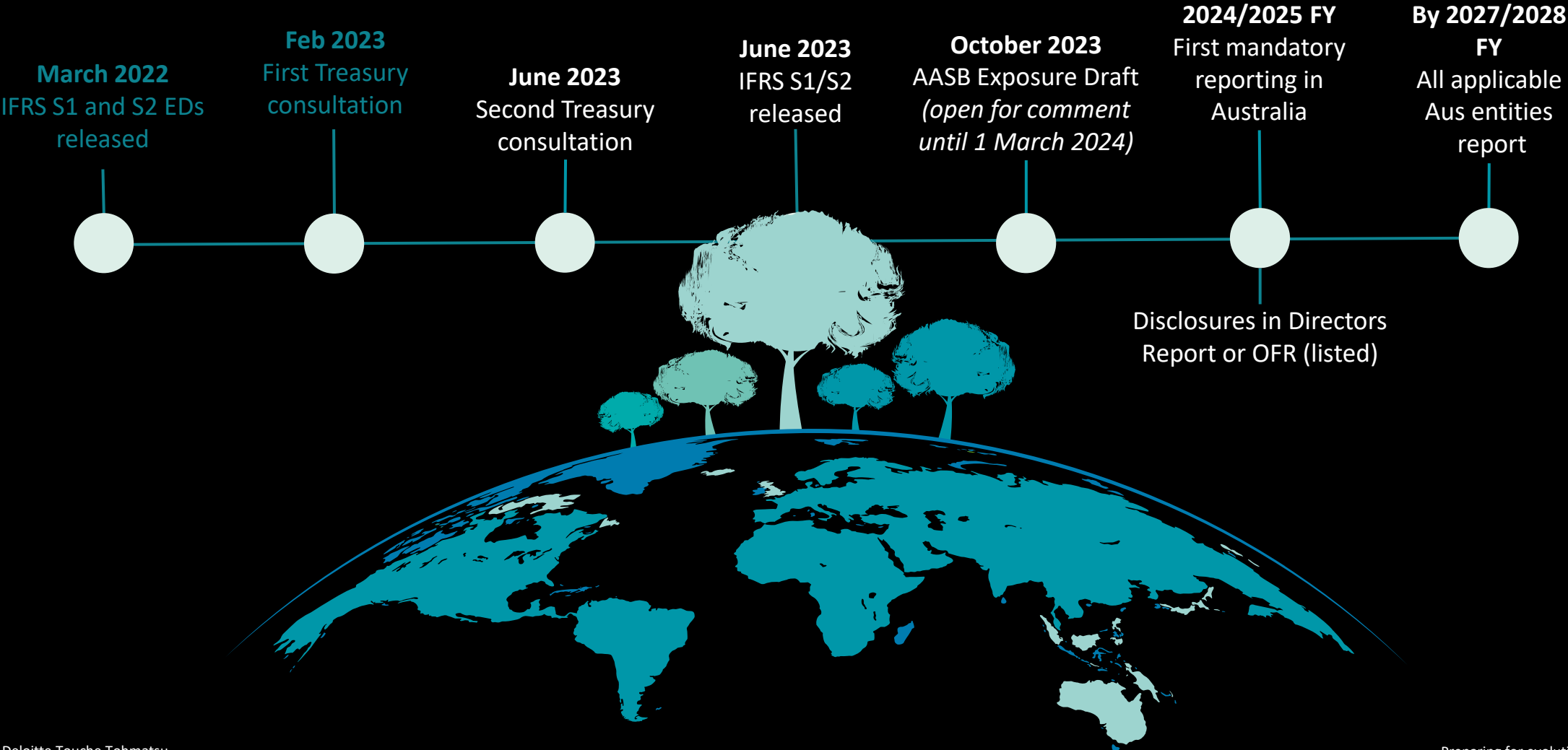
3

What's new in financial
reporting








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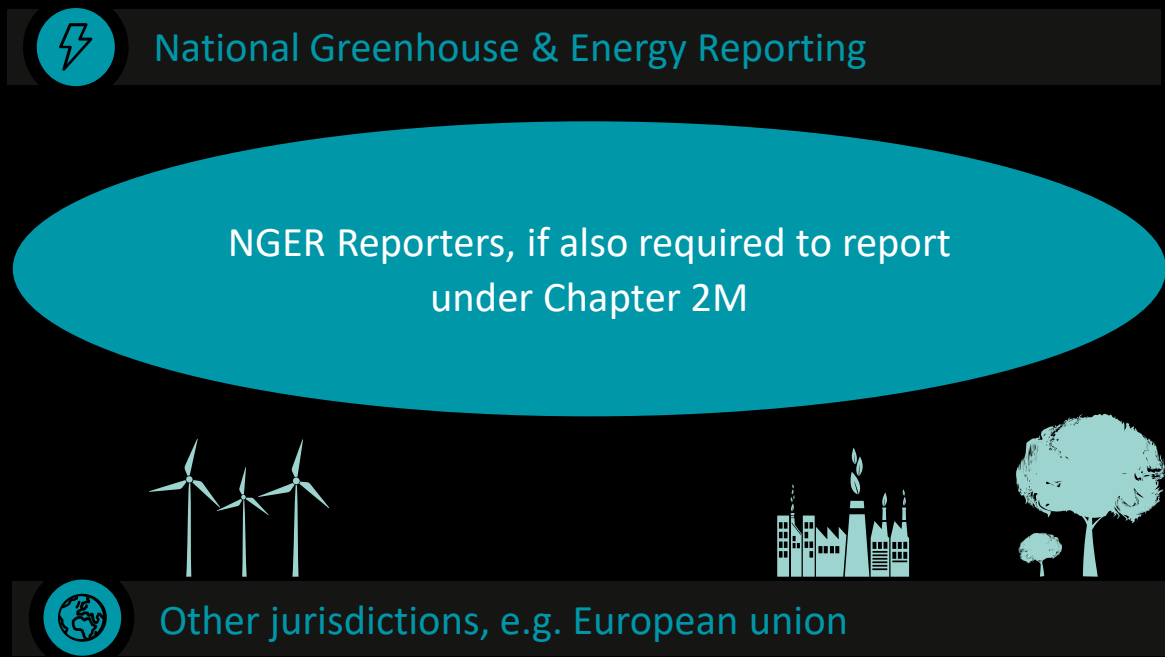
Timeline for mandatory climate reporting



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Thresholds for reporting in Australia

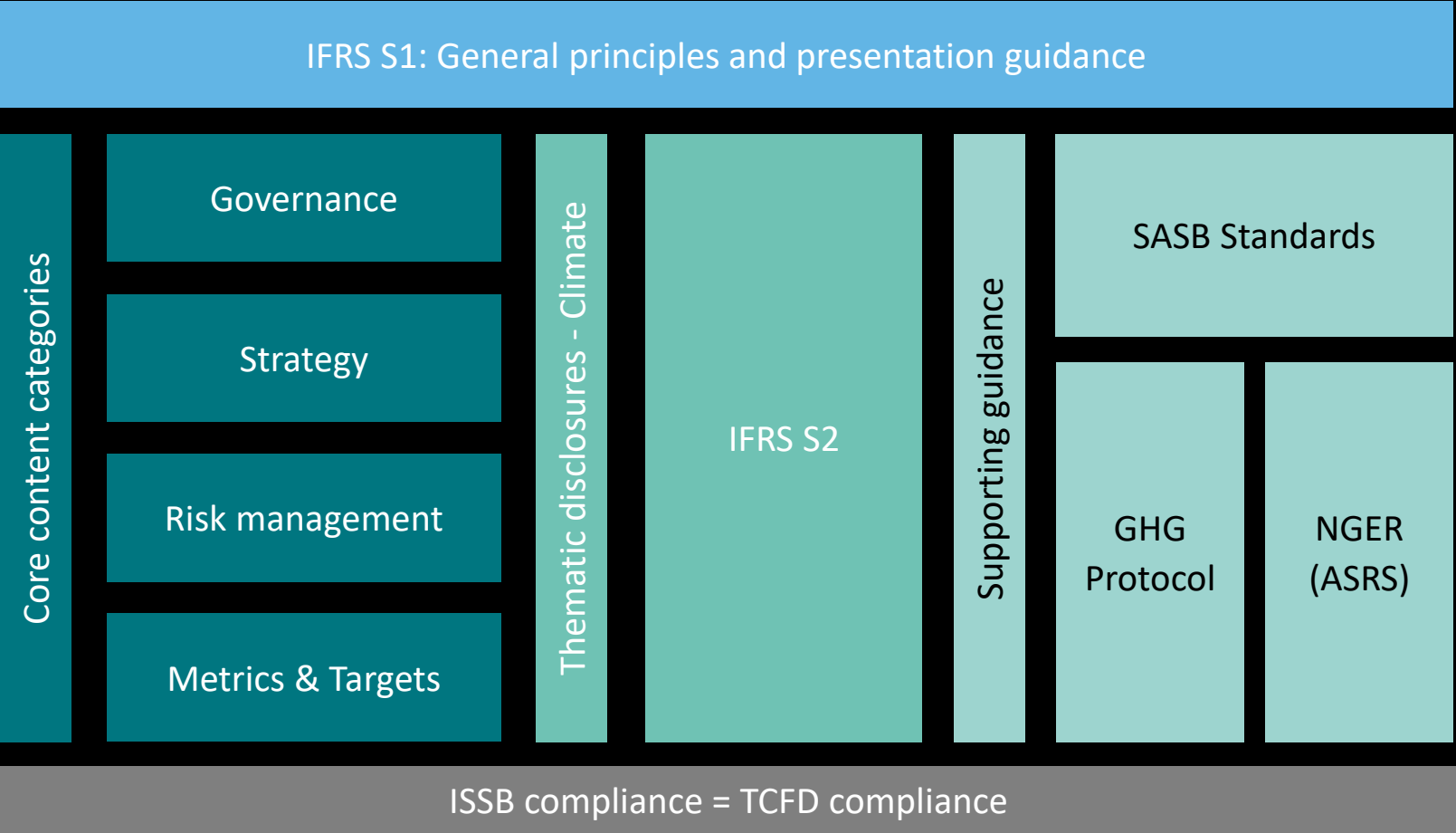
 Corporations Act entities Applying Chapter 2M			
Periods ending	At least two of:		
	Employees	Consolidated assets	Consolidated revenue
			
30 June 2025/ 31 Dec 2025	> 500	≥ \$1b	≥ \$500m
30 June 2027/ 31 Dec 2027	> 250	≥ \$500m	≥ \$200m
30 June 2028/ 31 Dec 2028	> 100	≥ \$25m	≥ \$50m
 <ul style="list-style-type: none">• Deed of cross guarantee• Consolidation relief			



- 2028: Australian entities with EU operations
- Earlier: Australian entities listed in EU (including debt)
- Equivalent Standards?

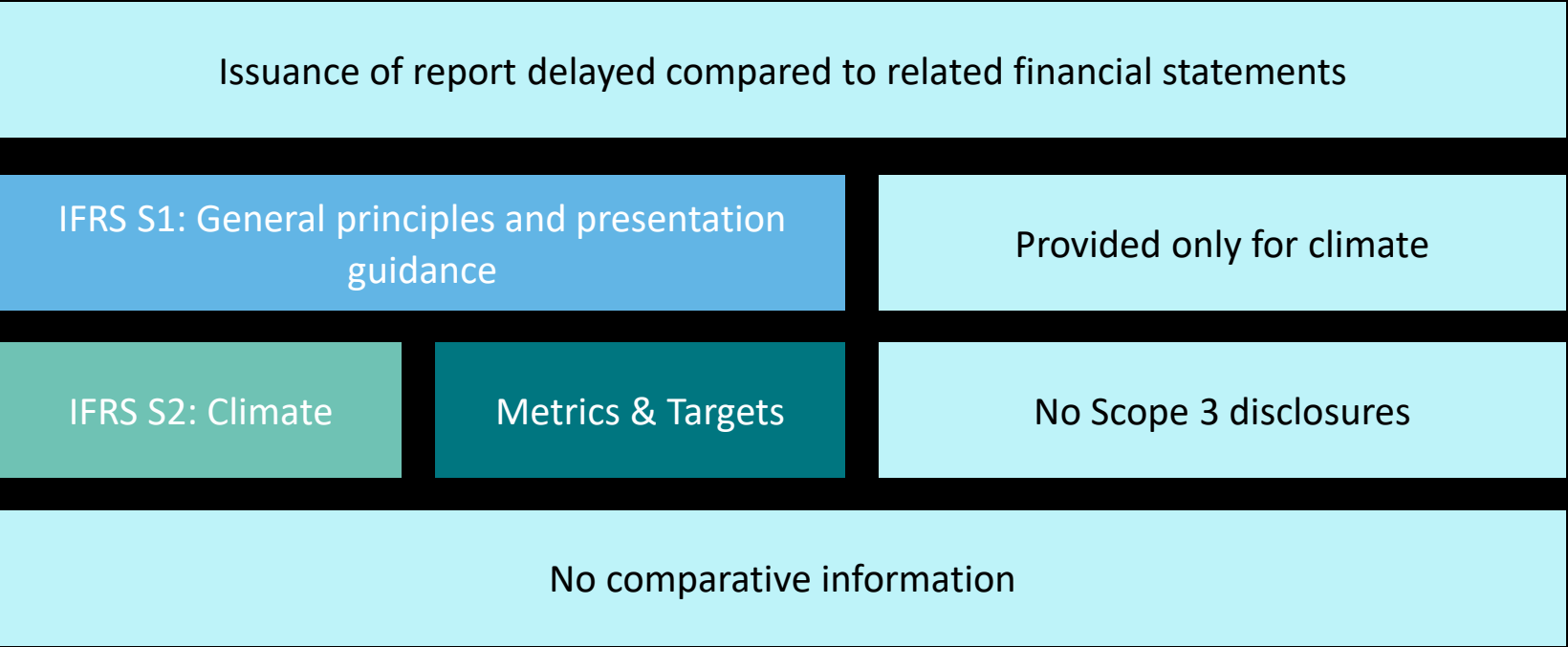
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Getting to know the sustainability standards



- ISSB basis for ASRS
- ASRS 1 'climate first'
- No ISSB compliance
- References to SASB & additional guidance removed
- Industry guidance: ANZSIC
- Scope 1 & 2 determined under NGER
- Removal of GHG categories

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Relief available in year one of reporting



- No explicit relief for timing of report
- Relief for S1 not required as ASRS ‘climatised’
- No scope 3 disclosures
- No comparative information

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Concepts underlying sustainability reporting



Connectivity

Interconnected risks
Between disclosures (e.g. Strategy and Metrics)
Relationship to financial statements (e.g. UELs, impairment, provisions)



Value chain

Suppliers, customers, customers' customers



Time horizons

Short, medium & long term
Effect on financial position, performance and cashflows



Proportionality

Reasonable and supportable
Without undue cost or effort



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Governance and strategy disclosures



Governance



Strategy



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Scenario analysis requirements



Scenario analysis

Scenarios and sources	Diverse range of scenarios?	Associated with transition or physical risks?	Alignment with Paris agreement?
Why scenarios were chosen	Scope of operations used in analysis	Assumptions used	Time horizons used



- ≥ two possible future states
- One consistent with Climate Change Act (1.5°C)

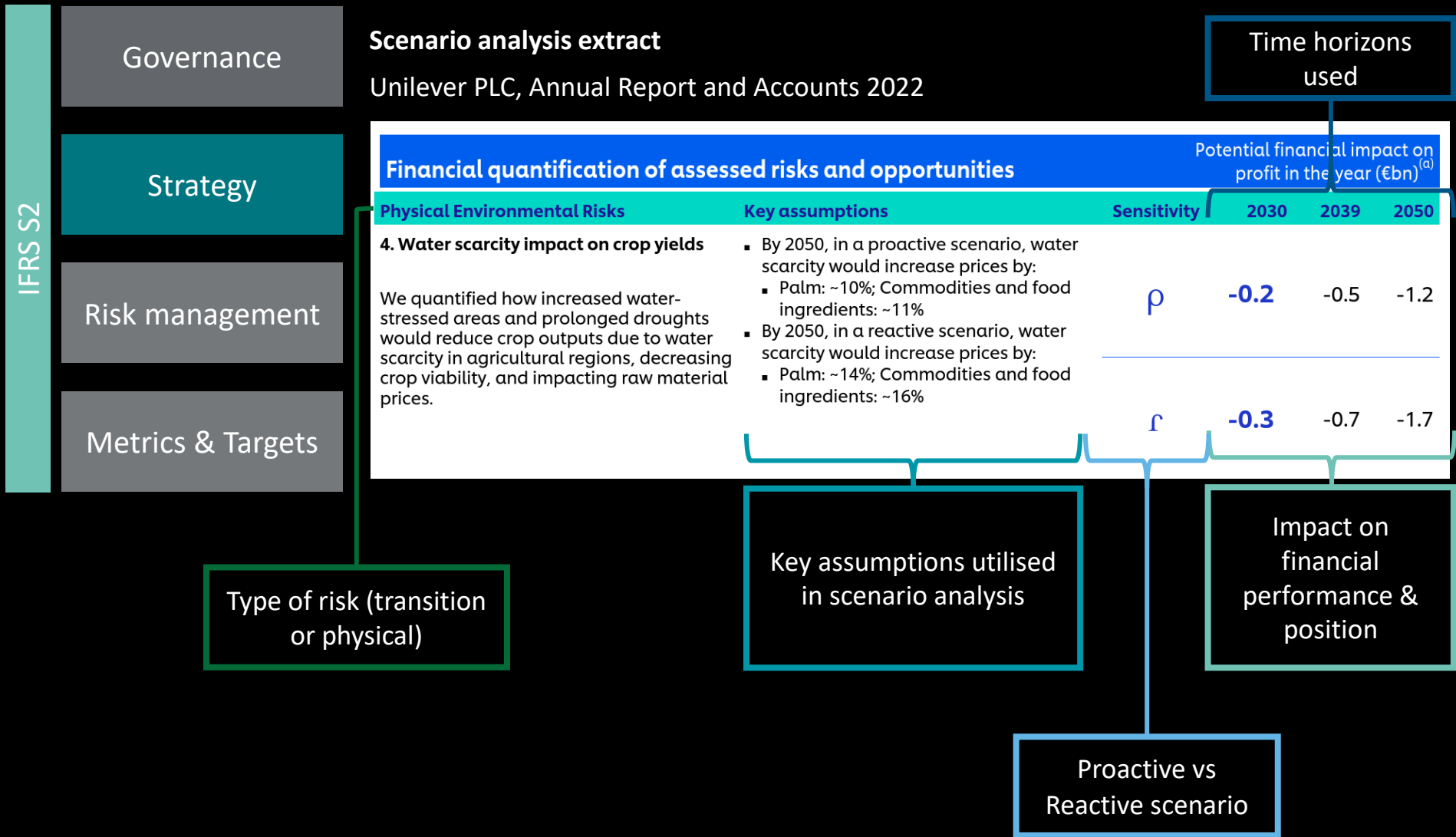


Proportionality applies

- Climate policies
- Macroeconomic trends
- Energy usage/mix
- Developments in technology
- National or regional variables (e.g. weather)

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Scenario analysis example



- ≥ two possible future states
- One consistent with Climate Change Act (1.5°C)

IFRS S2: Core content

Information required for risk management and metrics & targets



Risk management



Process and policies to manage risks



Process and policies to manage opportunities



Integration with risk management

Metrics & targets

Cross-industry metrics

Absolute GHG emissions	Disaggregation of GHG emissions	Scope 3 categorisation
\$ and % of transition risks	\$ and % of physical risks	\$ and % of opportunities
\$ of capital deployed	Internal carbon prices	KMP remuneration

Industry-based metrics

Associated with business model/activities

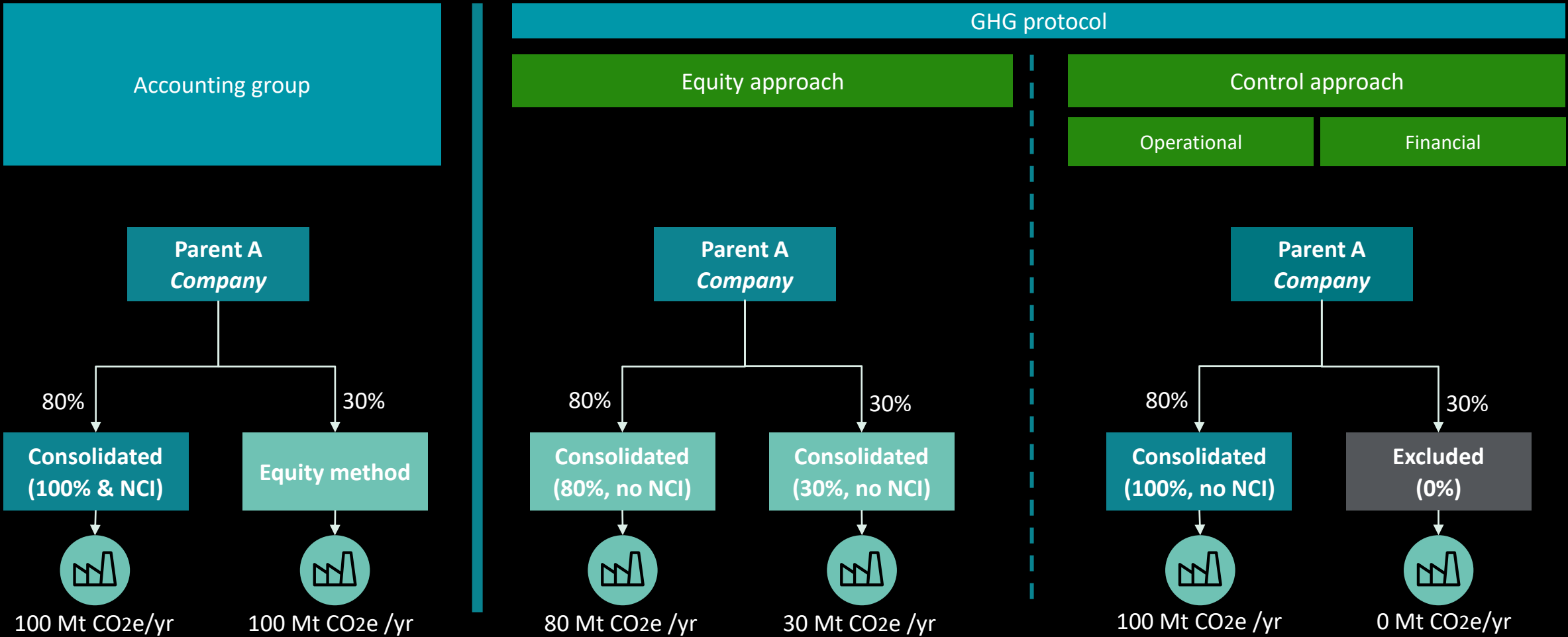
Targets

Set by entity	Progress
Required by laws/regulation	

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Setting the boundary for GHG reporting

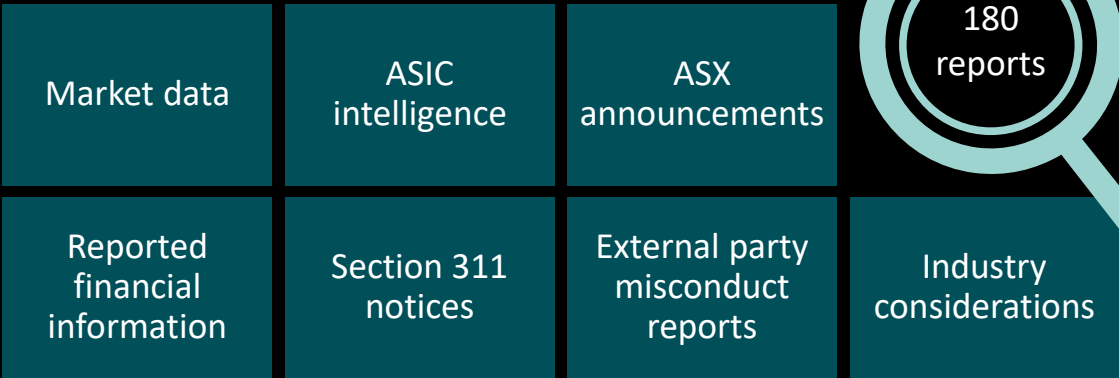
The organisational boundary



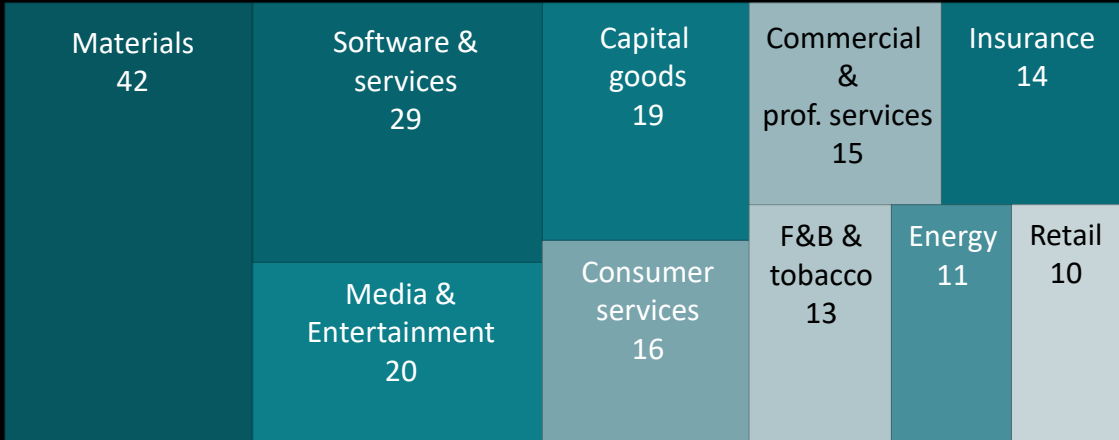
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ASIC surveillance findings

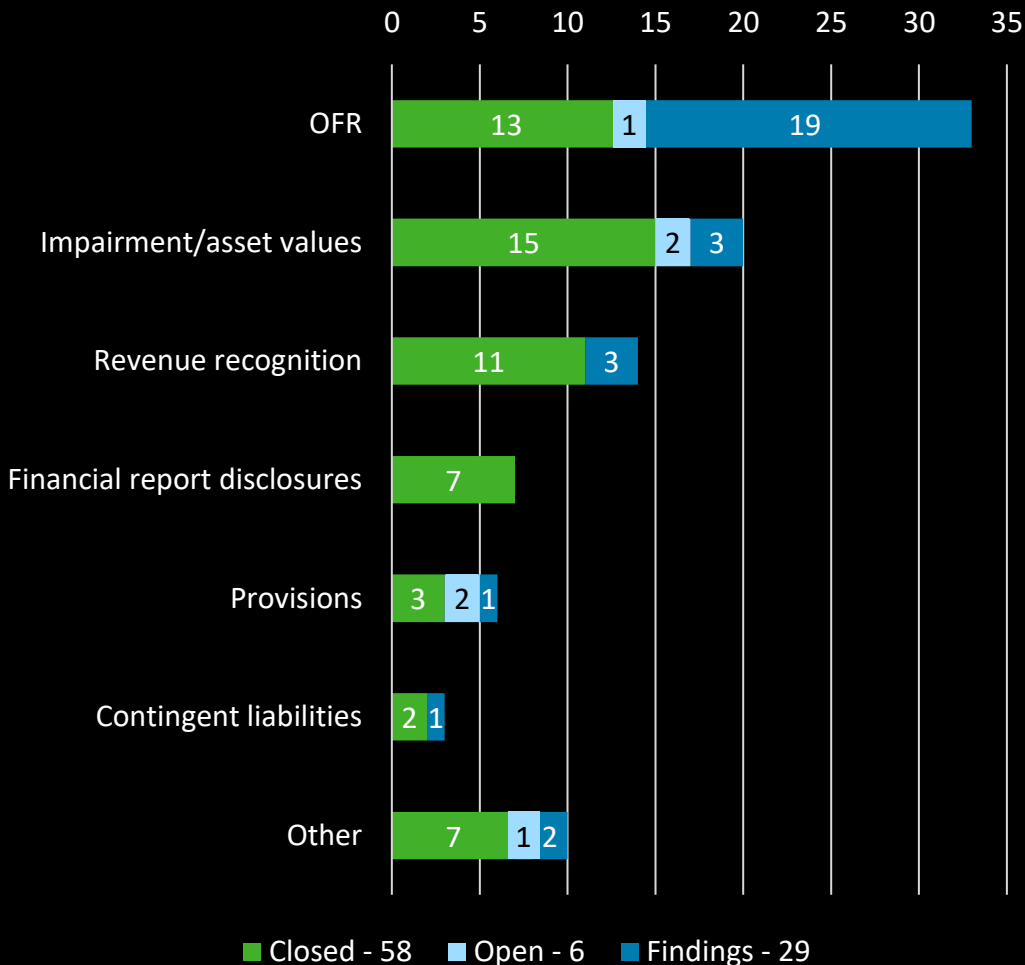
Selection criteria



Surveillance across industries



2023 surveillance findings



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Amendments impacting 31 December 2023 year ends



AASB 17 Insurance Contracts

- Effective beginning 1 January 2023
- Applicable to non-insurers



Amendments to AASB 101 Accounting policies & definition of accounting estimates

- Effective beginning 1 January 2023
- Revisions to disclosed accounting policies



Amendments to AASB 112 Pillar two taxes

- Effectively immediately upon issue
- More expansive disclosures following substantive enactment
- Substantive enactment expected 2024



Amendments to AASB 112 Deferred tax related to assets and liabilities in a single transaction

- Effective beginning 1 January 2023
- Clarifies the accounting for deferred tax on specific transactions

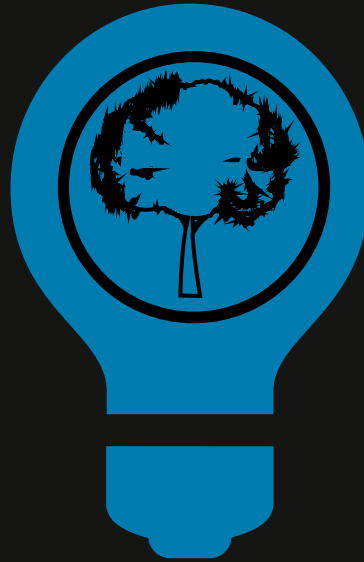
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Call to action



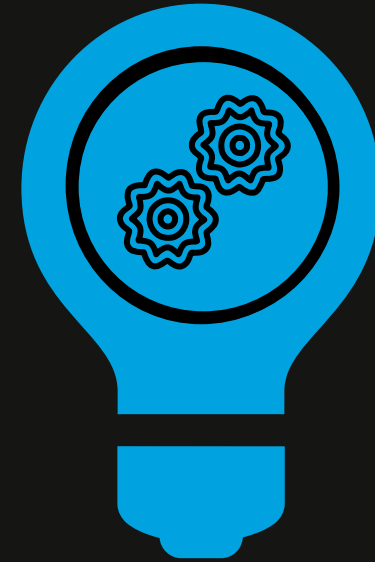
Mandatory sustainability reporting is coming

Determine when your entity will be required to commence its mandatory reporting and undertake a gap assessment to start planning your implementation



Consider connectivity of information

Connectivity between different parts of the annual report will remain important, don't forget the impact of climate on existing balances



Regulatory focus areas

Continue to closely monitor ASIC's areas of focus and emerging changes to the accounting standards to consider the impact on your business

Q & A





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Sustainability Glossary

Key terms	Definition
ASRS standards	The ASRS (Australian Sustainability Reporting Standards) are the draft standards released by the AASB to propose climate-related financial disclosure requirements which uses the ISSB standards as a basis. The AASB determined that Australian reporting would be limited to climate-related disclosures. The exposure draft relating to this, ED SR1 <i>Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information</i> was issued in October 2023 and is open for comment until March 2024.
Climate Change Act	Climate Change Act 2022 (Climate Change Act) sets out Australia's greenhouse gas emissions reduction targets, to provide for annual climate change statements and to confer advisory functions on the Climate Change Authority, and for related purposes.
Controlling Corporation	A controlling corporation is a 'constitutional corporation' that does not have a holding company incorporated in Australia (section 7 NGER Act). It is generally the corporation at the top of the corporate hierarchy in Australia. It can be a 'non-operational' holding company. It may also be a foreign incorporated entity operating directly in Australia.
CSRD	Corporate Sustainability Reporting Directive is a directive which strengthens and modernises the rules concerning the social and environmental information that companies have to report under the EU law and requires a broader set of large companies as well as listed SME to report on sustainability.
ESRS	European Sustainability Reporting Standards (ESRS) are standards tailored to EU sustainability policies while building on and contributing to international standardisation initiatives developed by the European Financial Reporting Advisory Group (EFRAG), an independent body bringing together various different stakeholders. This standard applies to all companies subject to the CSRD.
GHG Protocol	The Greenhouse gas (GHG) protocols provides standards, guidance, tools and training for business and government to measure and manage climate-warming emissions.
ISSB	The International Sustainability Standards Board (ISSB) was established in 2021 to develop a comprehensive global baseline of sustainability disclosures for capital markets.
ISSB Standards	The ISSB standards issued by the ISSB consists of IFRS S1 and IFRS S2. IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium and long term. IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1. The TCFD recommendations are fully incorporated in the ISSB standards.

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Sustainability Glossary

Key terms	Definition
NGER Scheme	The National Greenhouse and energy reporting (NGER) scheme is single national framework for reporting and disseminating company information about greenhouse gas emissions , energy production and energy consumption
NGER Act	The National Greenhouse and Energy Reporting Act 2007 (NGER Act) establishes the legislative framework for the NGER Scheme which is a national framework for reporting greenhouse gas emissions, greenhouse gas projects and energy consumption and production by corporations in Australia.
NGER Reporting Entity	An entity required to lodge financial reports under Chapter 2M of the Corporations Act (2001) (Cth) that is registered as a 'Controlling Corporation', reporting under the National Greenhouse and Energy Reporting Act 2007 (Cth).
Paris Agreement	The Paris Agreement refers to the international treaty on climate change, of which Australia is a party, which came into force in 2016. The Paris Agreement aims to strengthen global responses to climate change.
SASB standards	The Sustainability Accounting Standards Board (SASB) founded in 2011 to develop sustainability accounting standards have developed the SASB standards which enable organisations to provide industry-based disclosures about sustainability-related risks and opportunities and identifies the sustainability-related issues most relevant to investor decision-making in 77 industries. It provides the starting point for the ISSB's industry specific requirements.
Scope 1, 2, and 3 (emissions)	Scope 1 covers direct greenhouse gas emissions from owned or controlled sources. Scope 2 covers indirect greenhouse gas emissions from purchased or acquired electricity and energy consumed by the entity. Scope 3 includes all other greenhouse gas emissions that occur upstream and downstream in a company's value chain.
TCFD	The Task Force on Climate-Related Financial Disclosures (TCFD) was created by the Financial Stability Board (FSB). In 2017, the TCFD released climate-related financial disclosure recommendations.

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Treasury's proposed assurance timelines



	First year of reporting	Second year of reporting	Third year of reporting	Beyond third year of reporting
Reasonable assurance	Reasonable assurance is a high but not absolute level of assurance, where the auditor agrees the information reported is materially correct (the same level provided on annual financial statements)			
	Governance disclosures	Governance, Scope 1 & 2	Governance, Scope 1&2, other climate disclosures	All climate disclosures
Limited assurance	Limited assurance is where the auditor confirms they are not aware of any material modifications that should be made (the same level provided on interim financial statements)			
	Scope 1 & 2 (scope 3 not disclosed)	Scope 3 , scenario analysis and transition plans (specific items only)	Scope 3 , scenario analysis & transition plans	

Financial auditors to lead climate disclosure assurance engagements using climate experts



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Resources

Financial reporting




Tier 1 models and reporting considerations
Financial reporting periods ending on or after 30 June 2023



Australian financial reporting guide
12th Edition (October 2022)

[Model financial statements & Australian financial reporting guide](#)



Putting ASIC areas into focus
Financial reporting in times of risk and uncertainty

- The Australian Securities and Investments Commission (ASIC) recently issued its guidance for December 2022 for and half-year reports.
- ASIC has emphasised a stronger focus on the **impact of current economic conditions**, including the increasing interest rates, availability of credit and uncertainty around regulatory provisions, potential tax, climate and geopolitical risk and the impact of the impact of climate change and other market events.
- There is a continued focus on **disclosures** from the financial report and the **corporate and financial statements**. ASIC has emphasised the importance of the disclosure of the impact of climate change on the business and the value of the business, including the impact of climate change on the business and the value of the business, including the impact of climate change on the business and the value of the business.
- Directors should ensure financial reports provide investors with useful information on the impact of uncertain market conditions and should assess the impact on asset values and provisions and disclosure uncertainty, key assumptions, strategies and risks.

See here for ASIC Commission

[Putting ASIC areas into focus](#)

ESG and Sustainability





Towards mandatory sustainability reporting in Australia

Treasury has released two consultations that set the scene for mandatory sustainability reporting to be introduced in Australia in a phased implementation, possibly from 2024-25.

- In January, Treasury released two consultations that set the scene for mandatory sustainability reporting to be introduced in Australia in a phased implementation, possibly from 2024-25.
- The first consultation, **Towards mandatory sustainability reporting in Australia**, sets out the scope and content of the proposed requirements.
- The second consultation, **Guidance on the proposed requirements**, provides more detail on the proposed requirements.

See here for Treasury

[Towards sustainability reporting in Australia](#)



A director's guide to mandatory climate reporting

What directors need to know now (and why it is a step up from TCFD)

[A director's guide to mandatory reporting](#)



Gearing up for mandatory climate reporting

What directors need to know now (and why it is a step up from TCFD)

[Gearing up for mandatory climate reporting](#)

Other



Responding to Pillar Two
New taxation management and financial reporting challenges

Pillar Two is an important development in international taxation that will require significant effort to address within 12 months.

See here for Deloitte

[Responding to Pillar two](#)



A Closer Look
IFRS 17 for Non-insurers

IFRS 17 for Non-insurers

See here for Deloitte

[IFRS 17 for Non-insurers](#)

