A new era of sustainability reporting

Understanding the Australian Sustainability Reporting Standards effective January 2025

- The *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* became law on 18 September 2024 and is the enabling legislation providing the legislative framework for the new Australian Sustainability Reporting Standards (ASRS)
- The first two ASRS were issued by the Australian Accounting Standards Board (AASB) on 20 September 2024 with an effective date from 1 January 2025
- The ASRS closely align with the IFRS Sustainability Disclosure Standards (IFRS SDS) after strong constituent feedback against proposed departures from the global standards in the initial exposure draft, with many respondents emphasising the importance of adhering to the "baseline" established in the IFRS SDS
- Although the ASRS closely align with the IFRS SDS, notable differences remain, and these include:
    - The voluntary status of AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information*
    - The exclusion of the requirement to disclose industry-based metrics relating to the industry-based disclosure topics in the SASB Standards and Industry-based Guidance from AASB S2 *Climate-related Disclosures*
- The Australian enabling legislation also mandates the use of scenario analysis against both a high (at least 2.5°C) and low (1.5°C) global warming scenario
- Assurance requirements will be phased in, with full reasonable assurance required for all entities by 1 July 2030.

"We are part of a defining chapter in Australia's corporate history as mandatory sustainability reporting becomes law. Get ready now to usher in a new era of corporate transparency and societal benefit."

Alison White
National Leader (Accounting & Corporate Reporting)

Background

On 20 September 2024, the Australian Accounting Standards Board (AASB) passed the first Australian Sustainability Reporting Standards (ASRS) supporting the implementation of mandatory climate-related financial disclosures in Australia by providing the disclosure standards against which entities can report. These new standards apply to annual reporting periods beginning on or after 1 January 2025.

The final ASRS closely align with the IFRS Sustainability Disclosure Standards (IFRS SDS), a shift from the initial exposure draft released by the AASB in October 2023. Those exposure drafts included numerous Australian-specific requirements that departed from the IFRS SDS. However, in response to overwhelming constituent feedback from the consultation process that Australia should not depart from the 'baseline' of IFRS SDS, the AASB decided to align far more closely with the global standards, albeit that some difference remain.

The first ASRS released by the AASB are:

- **AASB S1:** *General Requirements for Disclosure of Sustainability-related Financial Information* (AASB S1) – a **voluntary standard** covering disclosure of all sustainability-related risks and opportunities
- **AASB S2:** *Climate-related Disclosures* (AASB S2) – a **mandatory standard** covering disclosure of climate-related risks and opportunities.

"Large businesses and financial institutions should ensure that they implement appropriate governance arrangements and sustainability record-keeping processes ahead of the mandatory climate reporting requirements taking effect from 1 January 2025."

Kate O'Rourke
ASIC Commissioner

Australian regulatory requirements

The specifics regarding which entities are in scope and required to comply with these standards, and the timing thereof, are contained in the enabling legislation, the ***Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024***.

Status of Australian enabling legislation

The enabling legislation (which provides the legislative framework for the ASRS) became law in Australia on 18 September 2024 when it received Royal Assent. As the commencement date for mandatory climate-related financial disclosures for the first reporters, the 'Group 1' entities, was tied to when it became law, its passage locked-in the start date for Group 1 entities as annual reporting periods **beginning on or after 1 January 2025**.

Who will be required to report and when?

The legislation applies to entities required to prepare financial reports under **Chapter 2M of the *Corporations Act 2001***. Those exempt from Chapter 2M, such as entities registered with the Australian Charities and Not-for-profits Commission (ACNC) or those with ASIC class order relief, are not included in the scope of mandatory sustainability reporting.

Entities fall within the scope of the legislation, and are therefore subject to mandatory climate reporting, if they meet certain criteria and fall into **any one of the following** categories:

- They meet **at least two of the size thresholds** for employees, consolidated assets, and revenue
- They are required to report under the National Greenhouse and Energy Reporting (**NGER**) legislation
- **Asset owners** (registered schemes, registrable superannuation entities (RSEs), and retail corporate collective investment vehicles (CCIVs)) fall under Group 2 if value of assets at the end of the financial year of the entity and the entities it controls exceed $5 billion.

The timing of the transition to mandatory reporting is phased in across three 'Groups' as outlined below.

Summary of the phased reporting requirements:

		Category (scoped in if any of the below categories apply)				
		Meets two or more of these thresholds			**National Greenhouse and Energy Reporting (NGER) reporters**	**Registered schemes, RSEs and retail CCIVs (asset owners)**
Group	**Financial reporting periods commencing on/after**	**Employees**	**Consolidated assets**	**Consolidated revenue**		
1	1 January 2025	> 500	> $1 billion	> $500 million	Above NGER Publication Threshold[1]	Excluded from Group 1
2	1 July 2026	> 250	> $500 million	> $200 million	All other NGER reporters	$5 billion assets or more
3	1 July 2027	> 100	> $25 million	> $50 million	N/A	Consistent with other reporting thresholds

Can asset owners be in Group 1?

For asset owners (category as described above), the Act specifically exempts these entities from being included in Group 1, even if the Group 1 size thresholds are met applying the other tests. For asset owners with less than $5 billion in assets, these entities could still be caught in Group 2 or Group 3 if they meet any of the other categories as outlined below.

[1]The Act references section 13(1)(a) of the NGER Act to define the publication threshold. Under this section, an entity surpasses the threshold if its operations emit 50 kilotonnes or more of CO_2 equivalent in a year. Entities exceeding this threshold fall into Group 1 for reporting. Other NGER reporters will be included in Group 2, unless they meet the size thresholds for Group 1 (i.e., based on assets, revenue and employees)

Key resources

Australian Securities & Investments Commission (ASIC)
Who must prepare a sustainability report? (September 2024)

What must be reported

Entities captured in the scope of mandatory climate reporting are required to issue a sustainability report, which includes a directors' declaration that the sustainability report is in accordance with the sustainability standards and the *Corporation Act 2001*. The core content and disclosure requirements of the **ASRS**, as well as the **IFRS SDS** upon which they are based, are discussed in later sections in this publication.

Thinking it through

In addition to the disclosure requirements of the ASRS, during the parliamentary process, amendments were introduced to the enabling legislation to mandate the use of **scenario analysis** against both a high (at least 2.5°C[1]) and low (1.5°C) global warming scenarios.

[1]The enabling legislation notes that an increase in the global average temperature should be a temperature that "well exceeds" 2°C in line with the Climate Change Act 2022. The explanatory memorandum explains that a temperature that "well exceeds" 2°C is one that is 2.5°C or more

Reporting relief

- **Group 3 entities with no material climate-related risks or opportunities:** Entities in Group 3 are required to provide disclosures relating to climate-related risks or opportunities only if these are material. If no such material risks or opportunities exist, they can comply by providing a statement to that effect, along with an explanation of how this conclusion was reached, within their climate statement. Materiality aligns with the concept of financial materiality applied to financial reporting and is defined by the ASRS. Even when applying this exemption, entities must include a directors' declaration and be subject to the assurance requirements outlined further below
- **Consolidated groups:** Individual subsidiary entities within a consolidated group for financial reporting purposes are not required to prepare separate sustainability reports if they are included in the scope of the parent company's consolidated sustainability report.

Can foreign owned Australian entities lodge sustainability reports of their global ultimate parent?

No. The consolidated group provisions apply only to Australian subsidiaries that are included in the scope of an Australian parent's consolidated sustainability report. Accordingly, the provisions do not extend beyond the highest-level Australian parent company in the group structure. Entities are required to prepare a sustainability report covering the same reporting group as the related consolidated financial statements prepared under AASB 10 *Consolidated Financial Statements*[1] (i.e., which includes its Australian and any foreign subsidiaries).

However, Australian companies who consolidate into foreign parent entities (e.g. multi-national companies) cannot use sustainability reports from any higher-level group entities outside of Australia (e.g. a foreign ultimate parent or intermediate parent) in meeting their sustainability reporting obligations under the *Corporations Act 2001*. Despite this, the Australian entity might ordinarily provide information to its foreign parent for the purposes of the preparation of the global sustainability report, and that information may be useful to assist in preparing the local Australian sustainability report where relevant.

In situations where practical application issues arise in the application of the requirements for complex group structure or arrangements, similar to financial reporting, ASIC has the authority to provide relief from the sustainability reporting provisions of the *Corporations Act 2001* and may address issues such as these in due course.

[1] AASB 10 paragraph Aus4.2 states that the ultimate Australian parent shall present consolidated financial statements that consolidate its investments in subsidiaries when the ultimate Australian parent is required by legislation to prepare financial statements that comply with Australian Accounting Standards

Assurance requirements

Climate-related disclosures will be subject to assurance requirements similar to those for financial statement audits. The explanatory memorandum that accompanied the enabling legislation specifies that auditors of sustainability reports have the same obligations as the financial statement auditor and should seek support from technical climate and sustainability experts when necessary.

Assurance requirements for the climate-related financial disclosure information would also be subject to a phased approach. The *Corporations Act 2001* specifies that for financial years beginning on or after 1 July 2030, sustainability reports must be subject to reasonable assurance (equivalent to an audit). Before this date, the AUASB is responsible for determining the phase-in timeline. Additionally, auditors of the sustainability report must form an opinion on whether the entity has kept sufficient sustainability records to enable the sustainability report to be prepared and audited.

On 12 February 2025, the AUASB released **Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits or Reviews of Information in Sustainability Reports under the Corporations Act 2001*.** ASSA 5010 contains the timeline of when various parts of a mandatory sustainability report require assurance. The phasing depends on whether the entity is a Group 1, 2 or 3 entity, as well the entity's financial reporting year end date.

In summary, the assurance phasing is:

- **Partial limited assurance[1] in first year of reporting** - In an entity's first year of reporting, limited assurance (equivalent to a review) will be required over the governance disclosures, strategy and scope 1 and 2 emissions. Assurance over strategy would be limited to the identification of climate-related risks and opportunities (i.e. subparagraphs 9(a), 10(a) and 10(b) of AASB S2)
- **Full limited assurance in years 2 and 3** - Limited assurance over the entire sustainability report will be required for an entity's second and third years of reporting. The AUASB deferred the original phasing proposals that would otherwise have required reasonable assurance over scope 1 and 2 emissions in these years
- **Full reasonable assurance from year 4 onwards** - Reasonable assurance (equivalent to an audit) will be required over the entire sustainability report. For 'Group 3' entities, this will coincide with the mandatory full assurance requirements coming into effect for financial years beginning on or after 1 July 2030 under the *Corporations Act 2001*.

Each year of phasing under the standard is linked to and ends on 30 June (from 30 June 2026 onwards). This means that 'Group 1' entities with financial years commencing between 1 January and 30 June will have an additional year of partial limited assurance.

From the second year of reporting under AASB S2, entities are required to disclose scope 3 emissions. For Group 1 entities with reporting years commencing prior to 30 June 2025 (e.g. a 31 December 2025 year end), these entities must therefore disclose scope 3 emissions in their second year of reporting (i.e. 31 December 2026 annual period), however this will not be subject to assurance until their third year of reporting (i.e. the 31 December 2027 annual period).

[1] "Partial limited assurance" is not a term used by ASSA 5010. However, in this publication we have used this to refer to the first year of the AUASB phasing in of assurance requirements, where limited assurance is only required on required selected aspects of the sustainability report rather than the full sustainability report

We have outlined below how the phasing would operate for Group 1 entities whose first financial reporting period for mandatory sustainability reporting commences prior to 30 June 2025 (e.g. December 2025 and March 2026 year ends) as distinct from Group 1 entities whose first financial reporting period commences on or after 1 July 2025 (e.g. June 2026 and September 2026 year ends).

Group 1 entities with years commencing 1 January to 30 June (e.g. December and March year ends)

Years commencing	1 January 2025 to 30 June 2025	1 July 2025 to 30 June 2026	1 July 2026 to 30 June 2027	1 July 2027 to 30 June 2028	1 July 2028 onwards
Year of reporting	1st Year	2nd Year	3rd Year	4th Year	5th Year
Level of assurance	Partial limited	Partial limited	Full limited	Full limited	Full reasonable
Governance	Limited	Limited	Limited	Limited	Reasonable
Strategy (risks and opportunities)	Limited[1]	Limited	Limited	Limited	Reasonable
Climate resilience assessments/ Scenario analysis	None	None	Limited	Limited	Reasonable
Transition plans	None	None	Limited	Limited	Reasonable
Risk management	None	None	Limited	Limited	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Limited	Limited	Reasonable
Scope 3 emissions	N/A[2]	None[3]	Limited	Limited	Reasonable
Climate-related metrics and targets	None	None	Limited	Limited	Reasonable

Group 1 entities with years commencing 1 July to 31 December (e.g. June and September year ends)

Years commencing	1 January 2025 to 30 June 2025	1 July 2025 to 30 June 2026	1 July 2026 to 30 June 2027	1 July 2027 to 30 June 2028	1 July 2028 onwards
Year of reporting	**N/a –** not caught by mandatory reporting requirements.	1st Year	2nd Year	3rd Year	4th Year
Level of assurance		Partial limited	Full limited	Full limited	Full reasonable
Governance		Limited	Limited	Limited	Reasonable
Strategy (risks and opportunities)		Limited[4]	Limited	Limited	Reasonable
Climate resilience assessments/ Scenario analysis		None	Limited	Limited	Reasonable
Transition plans		None	Limited	Limited	Reasonable
Risk management		None	Limited	Limited	Reasonable
Scope 1 and 2 emissions		Limited	Limited	Limited	Reasonable
Scope 3 emissions		N/A[5]	Limited	Limited	Reasonable
Climate-related metrics and targets		None	Limited	Limited	Reasonable

[1] This covers only subparagraphs 9(a), 10(a) and 10(b) of AASB S2

[2] Transition relief in AASB S2 provides an exemption from disclosing scope 3 emissions for the first year

[3] From the second year of reporting under AASB S2, entities will need to disclose scope 3 GHG emissions. For Group 1 entities with reporting years commencing prior to 30 June, this means that for example, an entity with a 31 December reporting year end will therefore report scope 3 GHG emissions in their December 2026 annual report for the first time, however this will not be subject to assurance in that year in line with the phase-in of assurance requirements as outlined

[4] This covers only subparagraphs 9(a), 10(a) and 10(b) of AASB S2

[5] Transition relief in AASB S2 provides an exemption from disclosing scope 3 emissions for the first year

Separately we have demonstrated the phasing for Group 2 and 3 entities below:

Group 2 and 3 entities

Group 2	**1 July 2026 to 30 June 2027**	**1 July 2027 to 30 June 2028**	**1 July 2028 to 30 June 2029**	**1 July 2029 onwards**
Group 3	**1 July 2027 to 30 June 2028**	**1 July 2028 to 30 June 2029**	**1 July 2029 to 30 June 2030**	**1 July 2030 onwards**
Year of reporting	**1st Year**	**2nd Year**	**3rd Year**	**4th Year**
Level of assurance	**Partial limited**	**Full limited**	**Full limited**	**Full reasonable**
Governance	Limited	Limited	Limited	Reasonable
Strategy (risks and opportunities)[1]	Limited[2]	Limited	Limited	Reasonable
Climate resilience assessments/Scenario analysis	None	Limited	Limited	Reasonable
Transition plans	None	Limited	Limited	Reasonable
Risk management	None	Limited	Limited	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Limited	Reasonable
Scope 3 emissions	N/A3	Limited	Limited	Reasonable
Climate-related metrics and targets	None	Limited	Limited	Reasonable

Partial limited assurance (i.e. limited assurance across aspects of sustainability report)
Full limited assurance (i.e. limited assurance across the full sustainability report)
Full reasonable assurance (i.e. reasonable assurance across the full sustainability report)

Location and timing of climate disclosures

The newly introduced "sustainability report" becomes a **fourth report as part of the annual report**, alongside the directors' report, financial report and auditor's reports (*plural*). The auditor's report on the sustainability report would be separate from the auditor's report on the financial report.

The sustainability report comprises:

- A climate statement
- Notes to the climate statement
- Any statements and notes prescribed by the regulations[4]
- A directors' declaration.

The aim is to have the financial and sustainability report prepared as part of the same cohesive document to enhance the connectivity between financial and non-financial information.

[1] The phasing for assurance on statements where there are no material climate-related financial risks and opportunities is the same for 'Strategy – Risks and Opportunities'
[2] This covers only subparagraphs 9(a), 10(a) and 10(b) of AASB S2
[3] Transition relief in AASB S2 provides an exemption from disclosing scope 3 emissions for the first year
[4] The Minister may, by legislative instrument, require a sustainability report to include specified disclosures in relation to a) the preparation of the climate statements or b) anything included in the climate statements

The reporting timetable for lodgement of the sustainability report with ASIC would be consistent with existing requirements under the *Corporations Act 2001:*

Type of entity	Reporting timeline
Disclosing entities, registered managed investment schemes and registrable superannuation entities and CCIVs	**Within three months** of the end of the financial year
All other entities	**Within four months** of the end of the financial year

The sustainability report must comply with sustainability standards made by the AASB (and any requirements in the regulations), be given to members (with some exceptions) and laid before the annual general meeting (where one is held).

Key resources

Australian Securities & Investments Commission (ASIC)

- **What should your sustainability report contain?** (September 2024)
- **How and when to lodge your sustainability report?** (September 2024)

The existing seven-year record keeping requirement applying to financial records is extended to information explaining or used in preparing the sustainability report. Similar requirements apply to record keeping in relation to audit information for the auditor.

A "modified liability" framework

The enabling legislation introduces a temporary "modified liability" framework designed to allow entities and auditors sufficient time to develop their capabilities to be able to adequately disclose in accordance with the requirements of the standards.

This framework will provide limited immunity from liability for company directors and auditors concerning certain 'protected statements' in sustainability reports, specifically:

Protected statement	Description	Applicable period
Scope 3 emissions (including financed emissions), scenario analysis and transition plans	Coverage for the initial **three years** of the regime	Statements made in reports for periods commencing on or before 31 December 2027
Forward-looking statements in relation to climate	Coverage for the initial **12 months** of the regime	Statements made in reports for periods commencing on or before 31 December 2025
Auditor's reports	Statements made in an auditor's report in compliance with the Corporations Act 2001 or auditing standards covering the above areas	Same as the respective statements they cover

Additionally, the modified liability will apply to:

- **Voluntary disclosures** in sustainability reports, provided they are made in compliance with the sustainability standards, the *Corporations Act 2001* or auditing standards
- A **subsequent statement that is the same as the protected statement** (or where any differences are limited to updates or corrections to the original Sustainability Report statement) which is made to comply with a Commonwealth law. This should cover **continuous disclosure** updates.

Thinking it through

For protected statements covered by the **three year relief** above (i.e., relating to scope 3 emissions, scenario analysis and transition plans), the relief applies to statements made in sustainability reports relating to periods that **commence** on or before 31 December 2027. Effectively this means that:

- **Group 1:** entities will get the full three years of relief
- **Group 2:**
  - Entities with a **June year end** (year commencing 1 July 2026) would get two years of relief
  - Entities with a **December year end** (year commencing 1 January 2027) would get one year of relief
- **Group 3:**
  - Entities with a **June year end** (year commencing 1 July 2027) would only get one year of relief
  - Entities with a **December year end** (year commencing 1 January 2028) would get no relief.

The **12-month relief** for other forward-looking statements relating to climate effectively only provides protection to Group 1 entities.

This immunity is limited, which means that only the regulator (ASIC) will be able to take action relating to misleading and deceptive conduct in relation to protected statements, and no other legal action is able to be brought by any other person or entity. The most common legal actions likely to be affected are civil proceedings for misleading or deceptive conduct, although alleged breaches of director's duties and other actions such as negligent misstatement, breach of statutory duty and breach of fiduciary duties will all be covered. The explanatory memorandum to the enabling legislation however stated that this does not prevent ASIC from bringing criminal (or other) proceedings.

The intention of this framework is to ensure that during the transitional period, ASIC can undertake a role in promoting education about compliance with sustainability reporting requirements and deter behaviours that are contrary to the objectives of such requirements.

Key resources

Australian Securities & Investments Commission (ASIC)
Modified liability settings (September 2024)

Directors' declaration

To align with the modified liability framework, a modified form of the directors' declaration will apply for the **first three years**, whereby the directors will declare ***"the entity has taken reasonable steps to ensure*** **the substantive provisions[1] of the sustainability report are in accordance with"** the Corporations Act 2001, rather than "the substantive provisions of the sustainability report are in accordance with" the Act.

[1] The 'substantive provisions' of a sustainability report means anything required to be included in the sustainability report under S296A(1) (i.e., Includes the content of a sustainability report being the climate statements and notes etc but excluding the directors' declaration.)

The release of Australian Sustainability Reporting Standards

Overview

The ASRS, effective for periods beginning on or after 1 January 2025, establish comprehensive climate-related disclosure requirements in Australia. These standards closely align with the IFRS SDS. Although some differences remain, the final version of the ASRS issued by the AASB represents a significant shift from the initial exposure draft released in October 2023. For further details on the key differences between the initial exposure draft and the final ASRS refer to the **Appendix – Journey of the development of the final ASRS from its original Exposure Draft**. In response to strong constituent feedback advocating alignment with global standards, many of the proposed deviations from IFRS SDS were removed. This feedback emphasised the importance of adhering to the "baseline" established by IFRS S1 and IFRS S2.

The first set of sustainability standards released by the AASB are:

Voluntary AASB S1

Fully incorporates all the content of IFRS S1. This allows entities to **voluntarily** apply ASRS 1 and report on broader sustainability topics beyond climate, particularly for entities who are seeking to state compliance with IFRS SDS

Mandatory AASB S2

A **mandatory** standalone standard for climate-related disclosures. Relevant content from AASB S1 has been replicated, with the same paragraph numbering, in an Appendix D to AASB S2 (as an integral part of the standard) to ensure it is operable as a mandatory standalone standard.

Thinking it through

Aligned to the Australian Government's 'climate-first' approach, the AASB's approach in finalising the structure of the first ASRS was to ensure that the ASRS are interoperable and adaptable for future standard setting needs beyond just climate only. This flexibility also allows entities, including multinational corporations, to voluntarily adopt the non-mandatory requirements within the ASRS to achieve compliance with IFRS SDS and other global frameworks, potentially reducing the regulatory and cost burden, especially for Australian entities operating internationally.

What are the key differences between IFRS SDS- and Australian ASRS?

Although AASB S2 is closely aligned with IFRS S2, some differences remain. As such, entities applying AASB S2 in isolation would not be able to make an explicit and unreserved statement of compliance with IFRS SDS.

Key differences between ASRS and the IFRS SDS:

Applicability

IFRS S1 and IFRS S2 were designed to be applied together – in other words entities applying IFRS SDS cannot apply IFRS S2 without also applying IFRS S1. In Australia, AASB S1 is a **voluntary standard**, whereas AASB S2 is a **mandatory standard**. To give effect to this, AASB S1 has Australian-specific edits explaining that the standard is voluntary even though it uses language such as "shall" and "required". In addition, relevant material from AASB S1 has been reproduced (using the same paragraph numbers) in an Appendix D to AASB S2 to make it operative as a mandatory standard

Industry-based metrics

AASB S2 excludes references to industry-based disclosure topics in the Sustainability Accounting Standards Board (SASB) Standards and Industry-based Guidance on Implementing IFRS S2 and does not require the disclosure of industry-based metrics determined after considering those disclosure topics. The AASB is undertaking a separate project to consider industry-based disclosures

Sector neutrality

Limited additional provisions in both AASB S1 and AASB S2 cater for not-for-profit and public sector entities (e.g. references to the Framework for the *Preparation and Presentation of Financial Statements* for not-for-profit entities. The AASB has agreed to undertake a separate project in this area in future

Statement of compliance

Each of AASB S1 and AASB S2 require a statement of compliance with each specific Standard, rather than "Australian Sustainability Reporting Standards" or "IFRS Sustainability Disclosure Standards". Accordingly, an entity complying only with the mandatory AASB S2 would make a statement of compliance with AASB S2. Entities looking to also achieve compliance with IFRS SDS, in addition to applying AASB S2, would need to incorporate consideration of the Industry-based Guidance (that has been removed from AASB S2) and in addition apply AASB S1 in full.

Transitional provisions

The ASRS have fewer transitional provisions (e.g. entities need to publish their initial sustainability reports at the same time as their financial reports, whereas IFRS SDS permit initial sustainability reports to be published up to nine months after the end of the reporting period)

Document versions

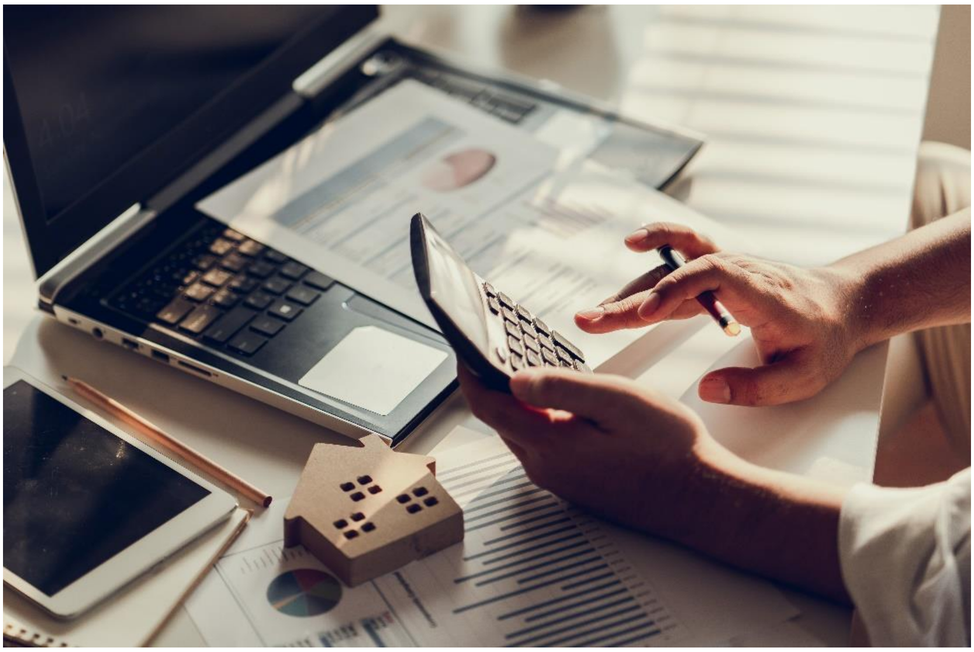
Due to Australian legislative requirements, references in the ASRS to external documents (such as the Global Industry Classification Standard) must specify the version of those documents to apply (whereas IFRS SDS generally refer to the 'latest' version). For example, AASB S2 now explicitly references the '6th assessment report' of the *Intergovernmental Panel on Climate Change* (IPCC) for the purposes of determining global warming potential values (whereas IFRS S2 simply refers to the 'latest' IPCC assessment report).

Thinking it through

Industry metrics: The AASB has indicated that its decision not to mandate entities to consider the disclosure topics and associated industry-based metrics from the SASB standards in AASB S2 is an interim measure.

The AASB plans to introduce such requirements for application from 2030 onwards, following further work to develop industry-based disclosure requirements for Australian entities. While references to the SASB standards have been removed from AASB S2, these standards are still viewed as an appropriate source of guidance in the absence of more explicit or authoritative guidance.

GHG emissions calculation methodologies: In alignment with the ISSB SDS, the ASRS prioritise the Greenhouse Gas (GHG) Protocol over the National Greenhouse and Energy Reporting (NGER) legislation as the primary framework for measuring greenhouse gas emissions. However, entities subject to NGER reporting are still permitted to use NGER methodologies under the standard and this will not result in a departure from the requirements of IFRS S2.



The requirements of International Sustainability Disclosure Standards

Overview

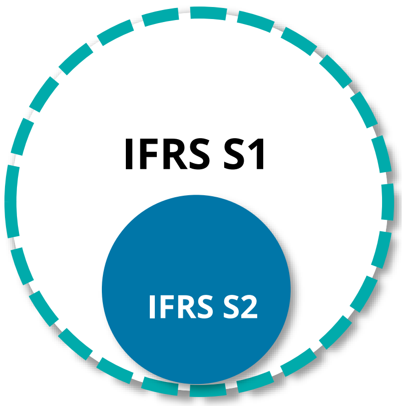
In June 2023, the International Sustainability Standards Board (ISSB) published its first two IFRS Sustainability Disclosure Standards: IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (IFRS S1) and IFRS S2 *Climate-related Disclosures* (IFRS S2).

Both Standards are effective for annual periods beginning on or after 1 January 2024 (although as mentioned jurisdictional adoption of the ASRS in Australia will commence from 1 January 2025), with certain transitional reliefs to allow preparers more time to align reporting of sustainability-related financial disclosures and financial statements, including allowing entities the ability to not report scope 3 GHG emissions in the first year of reporting (transitional relief that has been retained in AASB S2 in Australia).

The ISSB does not mandate application of these Standards, and as such it is subject to adoption and enforcement by jurisdictional authorities. As discussed in the previous section, the ASRS in Australia are built upon the baseline of the IFRS SDS. Key differences between the two sets of Standards are summarised in the previous section. Here we summarise the key elements of the IFRS SDS requirements.

Interaction between IFRS S1 and IFRS S2

IFRS S1 sets out overall requirements for **sustainability-related financial disclosures** with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.



IFRS S2 sets out the requirements for identifying, measuring and disclosing information about **climate-related risks and opportunities.**

IFRS S2 should be applied in conjunction with IFRS S1. IFRS S1 sets out the general principles for the disclosure of sustainability-related financial information whereas IFRS S2 includes requirements that relate specifically to the disclosure of climate-related risks and opportunities.

Currently, IFRS S2 is the only other IFRS Sustainability Disclosure Standard in addition to IFRS S1, but the ISSB has **initiated research projects** on other sustainability-related topics (such as Biodiversity, Ecosystems and Ecosystems Services (BEES) and human capital) which may result in the issue of further thematic standards in the future.

Thinking it through

As explained above, AASB S1 is issued as a voluntary standard in Australia, with the IFRS S1 content added as an additional appendix to AASB S2 (Appendix D) so that it functions as a standalone standard. Accordingly, in Australia, AASB S2 is effectively a 'combination' of IFRS S1 and IFRS S2 (but limited to climate) and is therefore consistent with the global standards (to the extent of climate). As such, entities applying only AASB S2 will not be able to make a statement of compliance with IFRS SDS.

Conceptual foundations underpinning IFRS S1 and S2

For sustainability-related financial information to be useful, it must be relevant and faithfully represent what it purports to represent. These are fundamental qualitative characteristics of useful sustainability-related financial information. The usefulness of sustainability related financial information is enhanced if the information is comparable, verifiable, timely and understandable. These are enhancing qualitative characteristics of useful sustainability-related financial information.

IFRS S1 identifies the essential elements of a complete set of sustainability-related financial disclosures. Beyond its objective and scope, IFRS S1 outlines conceptual foundations that an entity should consider when preparing its sustainability-related financial information. These include:

Fair presentation

A complete set of sustainability-related financial disclosures presents fairly all sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects.

Materiality

An entity is required to disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

Reporting entity and connected information

- **Reporting entity:** An entity's sustainability-related financial disclosures are required to be for the same reporting entity as the related financial statements.
- **Connected information:** An entity is required to provide information in a manner that enables users of general-purpose financial reports to understand the connections between the items to which the information relates and the connections between disclosures provided by the entity (both within its sustainability-related financial disclosures, and across its sustainability-related financial disclosures and other general purpose financial reports published by the entity).

Thinking it through

By including the requirements on connected information, the ISSB intends entities to make integrated disclosures instead of siloed disclosures. This highlights the importance for Australian entities of providing connected information between the sustainability report (presented as the fourth report of the annual report) and different parts of the annual report (such as the directors' report and the related financial statements).

Information about sustainability-related risks and opportunities is useful to primary users because an entity's ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's **value chain**[1]. Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates. The entity's dependencies on those resources and relationships and its impacts on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.

Sources of guidance supplementing IFRS S1 and IFRS S2

IFRS S1 requires that in order to identify sustainability-related risks and opportunities that could reasonably be expected to affect its prospects, an entity should apply IFRS SDS – this includes IFRS S1 and IFRS S2. IFRS S2 requires an entity to refer to and consider the *Industry-Based Guidance on Implementing IFRS S2*. An entity may also refer to and consider the applicability of:

- The disclosure topics in the SASB Standards
- The Climate Disclosures Standards Board (CDSB) *Framework Application Guidance for Water-related Disclosures* and the CDSB *Framework Application Guidance for Biodiversity-related Disclosures* (collectively referred to as *'CDSB Framework Application Guidance'*)
- The most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the information needs of users of general purpose financial reports
- The sustainability-related risks and opportunities identified by entities that operate in the same industry(s) or geographical region(s).

Thinking it through

As explained above, in Australia, all references to **Industry-based Guidance** (including SASB standards) have been removed from the Australian equivalent standards.

The AASB is currently working on a separate project to consider industry-based guidance requirements, and it is anticipated that in future regulations Australian entities will be required to prepare industry-specific metrics and target disclosures. However, referring to these standards is nevertheless considered to be a reasonable source of guidance in the absence of more authoritative or explicit guidance.

[1] Value chain is defined in IFRS S1 as "[t]he full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates. A value chain encompasses the interactions, resources and relationships an entity uses and depends on to create its products or services from conception to delivery, consumption and end-of-life, including interactions, resources and relationships in the entity's operations, such as human resources; those along its supply, marketing and distribution channels, such as materials and service sourcing and product and service sale and delivery; and the financing, geographical, geopolitical and regulatory environments in which the entity operates".

What will companies need to disclose under IFRS S1 and S2?

Together, IFRS S1 and IFRS S2 form the basis of the requirements of climate-related disclosures comprising four core content areas – which are illustrated below.

Having been through the core concepts on which IFRS S1 and S2 are based, and building on that, the next section explores the detailed explicit requirements of each core content area of IFRS S2, which AASB S2 is strongly aligned with.

Governance

The objective of climate-related financial disclosures on governance is to enable users of general-purpose financial reports to understand the governance processes, controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities. To achieve this objective, an entity is required to disclose information about the governance body or bodies or individual(s) responsible for oversight of climate-related risks and opportunities, including the identity of that governance body(s) or individual(s).

The diagram below summarises the broad areas that governance disclosures are required to address:

Governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities

Governance body

Roles and responsibilities
How responsibilities are reflected in terms of references, mandates, role descriptions and related policies

Skills and competencies
Appropriate existing skills and competencies (or will be developed) to oversee strategies to respond to climate risks and opportunities

Information distribution
How and how often the governance body is informed about risks and opportunities

Integration into decision making
Consideration of climate risks and opportunities on strategy, decisions on major transactions, risk management processes and associated trade-offs

Oversight of targets and progress monitoring
Setting of targets related to climate risks and opportunities, monitoring progress including how related performance metrics are included in remuneration policies

Management

Role delegation and oversight
Delegation to specific management-level position or committee and how oversight is exercised over this

Controls and procedures
Whether management controls and procedures are used to support oversight of climate risks and opportunities and how these are integrated with

Strategy

The objective of climate-related financial disclosures on strategy is to enable users of general-purpose financial reports to understand an entity's strategy for managing climate-related risks and opportunities.

The diagram below summarises the broad areas that strategy disclosures are required to address:

	Effects of those climate-related risks and opportunities:			
Climate-related risks and opportunities that could reasonably be expected to affect its prospects	**Current and anticipated effects on business model** and **value chain**	**Effects on strategy and decision-making** (including climate-related transition plans)	**Current and anticipated effects on financial position, financial performance** and **cash flows**	**Climate-resilience of its strategy and business model** to climate-related changes, developments and uncertainties (using **scenario analysis**)

For the preparation of disclosures about climate resilience, the ISSB decided that IFRS S2 should require **scenario analysis**. IFRS S2 requires specific disclosures about climate-related scenario analysis, including information about the inputs an entity used, for example:

- Which climate-related scenarios the entity used for the analysis and the sources of those scenarios
- Whether the analysis included a diverse range of climate-related scenarios
- Whether the scenarios used are associated with transition or physical risks
- Whether the entity used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change (which is currently the Paris Agreement)
- Why the scenarios are relevant to assessing the entities resilience
- Time horizons used
- The scope of operations (e.g., operating locations or business units used in the analysis)

Thinking it through

As mentioned above, in Australia, the Australian enabling legislation has mandated specific scenarios for use in Australia, being at least a **low** (1.5°C) and **high** (2.5°C or higher) scenario analysis. Additional scenarios may be provided by the entity as relevant to their circumstances.

Risk management

The objective of climate-related financial disclosures on risk management is to enable users of general-purpose financial reports to understand an entity's processes to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process.

The processes and related policies to identify, assess, prioritise and monitor:

Climate-related risks						Climate-related opportunities
Inputs and parameters used (data sources and scope of operations)	Whether and how **scenario analysis** is used to identify climate-related risks	How the **nature, likelihood and magnitude** of effects of the risks are assessed	Whether and how the entity **prioritises** climate-related risks relative to other types of risks	How the entity **monitors** climate-related risks	Whether the processes have **changed** compared to previous period	The **process** the entity uses to identify, assess and prioritise **climate-related opportunities** (including whether **scenario analysis** was used)

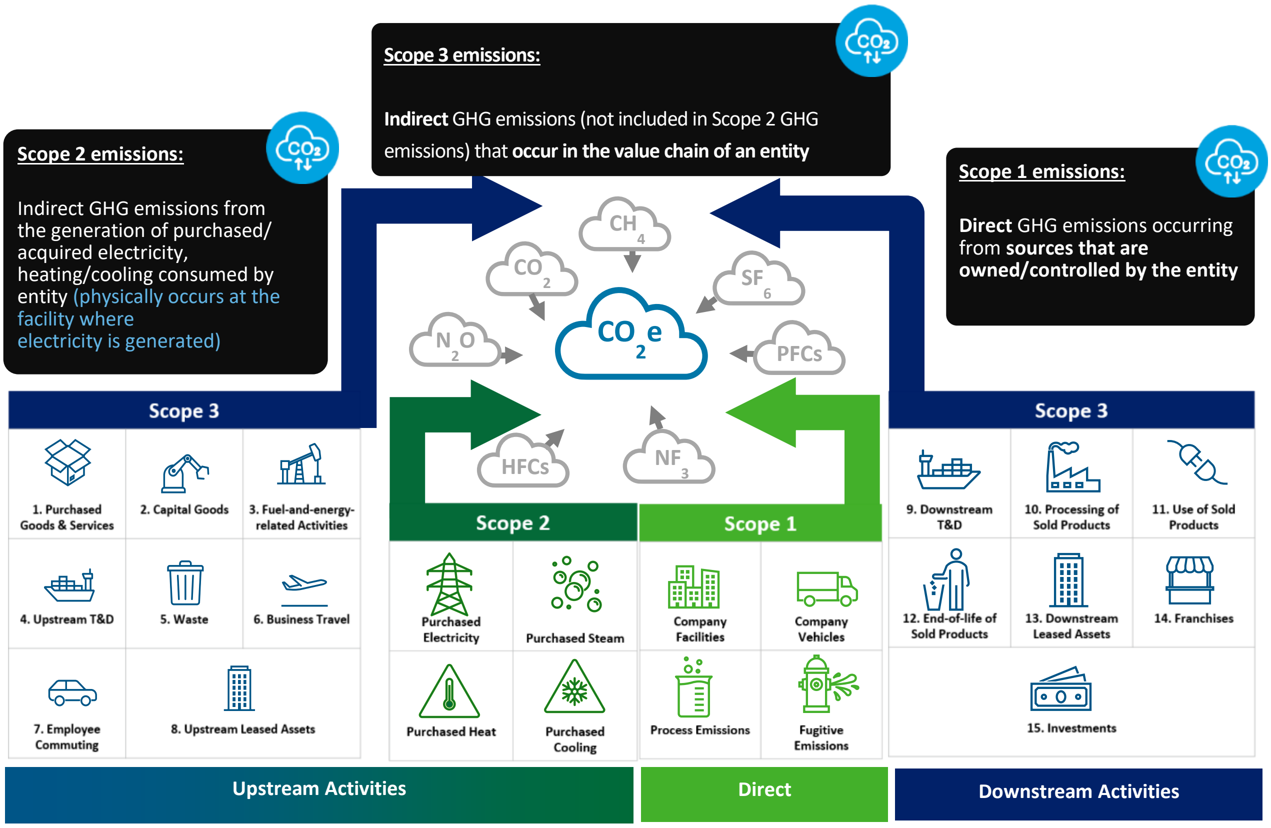
The extent to which, and how, the processes noted above are integrated into and inform the entity's overall risks management process

Metrics and Targets

The objective of climate-related financial disclosures on metrics and targets is to enable users of general-purpose financial reports to understand an entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.

Cross-Industry metrics		Industry-based metrics	Targets
GHG emissions	**Other categories**		
• Absolute gross GHG emissions generated during the reporting period – classified as Scope 1, 2 and 3 • Approach used to measure GHG emissions, including inputs and assumptions • Location-based scope 2 GHG emissions • Scope 3 emissions (by 15 categories in GHG Protocol) and • Financed emissions (insurers, asset managers and commercial banking)	• Amount and percentage of assets or business activities vulnerable to climate physical and transition risks • Amount and percentage of assets or business activities aligned with climate opportunities • Capital deployment • Internal carbon prices • Executive renumeration linked to climate-related considerations	• Industry-based metrics which are associated with particular business models, activities or common features that characterise participation in an industry *(Refer to Industry-based Guidance on Implementing IFRS S2)*	• Targets: ▪ Set by the entity, and ▪ Required by law or regulation • Approach to setting, reviewing targets and monitoring progress • Performance against each target • Additional information about GHG emission targets (including use of carbon credits)

Specifically, one of the cross-industry metric category relates to greenhouse gases which requires the disclosure of the entity's absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tonnes of CO_2 equivalent, classified as scope 1, 2 and 3 greenhouse gas emissions – see diagram below that illustrates the different emission scopes.



An entity is required to measure its greenhouse gas emissions in accordance with the *Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard* (2004) unless the entity is required by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its greenhouse gas emissions.

Thinking it through

In Australia, while AASB S2 is aligned with IFRS S2, in prioritising the use of *Greenhouse Gas Protocol* to measure greenhouse gas emissions, both IFRS S2 and AASB S2 contain additional wording to effectively allow entities who are required to report under the *NGER Act* to continue to adopt the NGER methodologies in the calculation of their scope 1 and 2 emissions in Australia.

Next steps

Assess status of current financial reporting

- One of ASIC's enduring focus areas for financial reporting reviews is disclosures in the **operating and financial review (OFR).** ASIC expects that climate is a pervasive challenge that all businesses will be required to adapt to and thus expects climate impacts to be disclosed to the degree that climate forms a material risk
- Companies must be mindful about the risk of **greenwashing** and **greenhushing**, as these are issues that ASIC is aware of and are increasingly taking action on
- In addition to consideration of climate risks in the OFR, entities should consider the impact of climate-related risk and opportunities on the carrying amounts of assets and liabilities recognised in the financial report and related disclosures – including but not limited to useful lives of assets, recognition and measurement of provisions and recoverability of assets – including impairment modelling
- When it comes to **connectivity,** having the financial and sustainability information report prepared as part of the same cohesive document enhances the connectivity between financial and climate-related information. Entities should ensure that proper consideration has been given to the importance of connectivity between disclosures made in climate reporting and financial reporting in the financial statements, OFR and accompanying commentary.

Prepare for implementation

- Mandatory reporting is commencing very soon, and there is little time for entities to prepare. Under the phased implementation approach, Group 1 entities will report for financial years beginning on or after 1 January 2025 (i.e., 2025 calendar years). Estimates indicate that the cost of implementing the reporting requirements may be significant and reporting entities that have not yet started to consider what changes will need to be made are encouraged to do so as soon as possible
- ASIC has issued a **media release** urging those entities captured by the rollout to proactively engage with these mandatory climate reporting requirements. ASIC notes that entities should ensure that they implement appropriate governance arrangements and sustainability record-keeping processes ahead of the mandatory climate reporting requirements taking effect from 1 January 2025
- In an earlier report on **greenwashing**, ASIC recommended that entities voluntarily disclosing climate-related metrics and targets before the new regime becomes mandatory should consider the relevant disclosure requirements in the ASRS
- To assist reporting entities, ASIC has established a dedicated **sustainability reporting page** on the ASIC website to provide information about the new regime and how ASIC will administer it. We encourage reporting entities to refer to this page as an ongoing resource as we understand that it will be updated with further information and regulatory guidance over time.

Conclusion

With the effective date fast approaching, reporting entities should familiarise themselves with the content in AASB S1 and AASB S2 and prepare for adoption by putting into place the necessary governance arrangements and consider what capabilities (across people, process and technology) are needed and as well as what data may be required to enabling appropriate reporting on the disclosure requirements. This, amongst other things, often starts with a gap assessment to identify gaps between current and required reporting.

Reach out to your Deloitte contact to support you in this journey.

Key resources

IAS Plus

- Summary of IFRS S1
- Summary of IFRS S2

Deloitte Guidance in DART

- Deloitte Guidance - Sustainability Reporting

Thought leadership

- **A director's guide to mandatory climate reporting** (Co-authored publication between Deloitte, MinterEllison and the AICD) (September 2024)

ASIC's sustainability reporting page

- ASIC Sustainability reporting page

Climate legislation

- ***Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024*** (September 2024)

IFRS Sustainability Disclosure Standards

- **IFRS S1** *General Requirements for Disclosure of Sustainability-related Financial Information*
- **IFRS S2** *Climate-related Disclosures*

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Appendix – Journey of the development of the final ASRS from its original Exposure Draft

Overview

As outlined in the body of the publication, the final form of the ASRS is closely aligned with the equivalent IFRS SDS. Many of the proposals for departure from IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* were overturned in response to overwhelming constituent feedback that Australia should not depart from the "baseline" of IFRS S1 and IFRS S2. This Appendix is intended for readers who have followed the journey of the original ***Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-Related Financial Information*** to understand how the final ASRS were amended (relative to the original Exposure Draft) following public consultation.

In the tables below, the left-hand side **Green Columns** outlines areas where the original Exposure Draft departed from IFRS SDS. The right-hand side **Blue Columns** indicates the approach taken in final ASRS following redeliberation's, as well as indicating whether or not the final approach is aligned to IFRS SDS or not.

Comparison of IFRS S1 to AASB S1

Exposure Draft ED SR 1			Final AASB S1
IFRS S1	**Proposed ASRS 1**	**Rationale for modification**	
Application			
Terminology focused on the for-profit sector	Included terminology applicable to not-for-profit entities	Sector neutrality	**Substantively aligned to IFRS S1** Removed the terminology applicable to not-for-profit entities contained in the ED, on the basis that that IFRS S1 and IFRS S2 are sufficiently sector neutral and the phrase is not needed. Both AASB S1 and AASB S2 cross-references to the *Framework for the Preparation and Presentation of Financial Statements* issued by the AASB to provide guidance on the primary users of general-purpose financial reports in the not-for-profit sector
Scope			
Applies to sustainability-related financial information	Applies only to climate-related financial information	Consistent with Government policy to focus on "climate first"	**Substantively aligned to IFRS S1** Because of the decision issue a voluntary AASB 1, the final text of AASB S1 is substantively realigned to IFRS S1. Although AASB S1 has "imperative language" (e.g. referring to "shall", "required", etc) aligned to IFRS S1, additional Aus paragraphs explain the voluntary status of the Standard and to explain that AASB S2 is the only mandatory ASRS
No explicit requirement to make disclosures where the entity determines it has *no* material climate-related risks and opportunities	Contained explicit disclosures where the entity determines it has *no* material climate-related risks and opportunities	Considered to be useful information for users	**Substantively aligned to IFRS S1** The final ASRS (AASB S1 and the mandatory appendix to AASB S2) omits the proposed Aus paragraphs on this topic, which would have required an entity to disclose the fact the entity does not have material climate-related risks and opportunities and explain how it came to this conclusion. Entities could still make a statement consistent with the proposal if they wish to do so

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Exposure Draft ED SR 1			Final AASB S1
IFRS S1	**Proposed ASRS 1**	**Rationale for modification**	
Sources of guidance			
In identifying relevant sources of guidance to refer to in the absence of an applicable IFRS Sustainability Disclosure Standard, requires the application of SASB Standards	Proposed that where an entity elects to provide industry-based disclosures, the entity considers "well established and understood metrics" in the same industry (classified in accordance with the *Australian and New Zealand Standard Industrial Classification* (ANZSIC))	The AASB decided not to include references to the SASB Standards or industry-based guidance accompanying IFRS S2 until the content has been comprehensively internationalised by the ISSB and undergone AASB due process	**Substantively aligned to IFRS S1** Although AASB S2 omits references to SASB Standards and the industry-based guidance, the final AASB S1 as a voluntary standard has been fully realigned to IFRS S1 on this point. In addition, the ANZSIC was considered an unsuitable source of guidance for ASRS, and the board agreed to remove references to ANZSIC from ASRS 1. These changes will allow entities to choose to refer to SASB Standards and provide industry-based disclosures to achieve IFRS compliance if they wish to do so
Location of disclosures			
Requires identification of the report within which climate-related financial information is located	Proposed that information must be provided in a manner that enables users to locate its disclosures in accordance with ASRS	To make it easier for users to locate climate-related financial disclosures	**Substantively aligned to IFRS S1** The final ASRS (AASB S1 and the mandatory appendix to AASB S2) reverts to baseline and deletes the proposed paragraph from the Exposure Draft that would require the provision of information in a manner that enables users to locate its disclosures prepared in accordance with ASRS. Entities could provide an index table or other disclosures if they choose to do so
Timing of reporting			
Gives an example of an entity preparing climate-related financial information for a period other than 12 months and addresses interim reporting	Proposed that the standard specifies that entities should use the same reporting period for climate-related financial information and financial statements and does not address interim reporting	To avoid confusion by stakeholders	**Substantively aligned to IFRS S1** The final ASRS (AASB S1 and the mandatory appendix to AASB S2) reverts to baseline requirements and retains the guidance around interim reporting in IFRS S1.

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Comparison of IFRS S2 to AASB S2

Exposure Draft			Final AASB S2
IFRS S2	**Proposed ASRS 2**	**Rationale for modification**	
Interaction with other pronouncements			
Includes requirements related to general disclosures on governance, strategy and risk management identical to the requirements in IFRS S1	Cross referenced to ASRS S1 rather than duplicating the requirements	To avoid duplication	**Substantively aligned to IFRS S2** The added Appendix D incorporates material from AASB S1 (using the same numbering) to make AASB S2 mandatorily operative – including outlining the conceptual foundations for climate-related financial information, aspects of core content, general requirements for climate-related financial information, judgements, uncertainties and errors, and related application guidance
Application			
Terminology focused on the for-profit sector	Included terminology focused on the not-for-profit sector	Sector neutrality	**Substantively aligned to IFRS S2** Removed the terminology applicable to not-for-profit entities contained in the Exposure Draft, on the basis that that IFRS S1 and IFRS S2 are sufficiently sector neutral and the phrase is not needed. Both AASB S1 and AASB S2 cross-references to the *Framework for the Preparation and Presentation of Financial Statements* issued by the AASB to provide guidance on the primary users of general-purpose financial reports in the not-for-profit sector
Scope			
Applies to climate-related risks and opportunities	Proposed to narrow the scope to apply to climate-related risks and opportunities in relation to climate change only	To clarify that ASRS 2 does not apply to climate-related emissions other than GHG emissions. The Exposure Draft specifically noted that ASRS 2 does not replace any existing legislative requirements related to other sustainability related topics (e.g., water and biodiversity)	**Substantively aligned to IFRS S2** Removed the scope limitation in the Exposure Draft thereby aligning with IFRS S2 on requiring the disclosure of all climate-related risks and opportunities (rather than only risks and opportunities in relation to climate change)

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Exposure Draft			Final AASB S2
IFRS S2	**Proposed ASRS 2**	**Rationale for modification**	
Climate resilience			
Requires climate-related scenario analysis to assess climate resilience commensurate with the entity's circumstances	Required resilience assessments against at least two possible future states, one of which must be consistent with the most ambitious global temperature goal set in the *Climate Change Act 2022* (i.e., 1.5°C above pre-industrial levels)	Specifying the minimum number of scenarios and the lower-temperature scenario to assess against to ensure comparability across entities	**Substantively aligned to IFRS S2** In light of the legislative amendments to the *Corporations Act 2001* to mandate high (2.5°C or above) and low (1.5°C) global warming scenario analyses, AASB S2 does **not** specify temperature warming outcomes in the final standard, but leaves this to the government through the legislation. Entities can provide additional scenarios if they wish
GHG emissions			
Requires conversion of GHGs into a CO_2 equivalent value based on the latest Intergovernmental Panel on Climate Change (IPCC) assessment guidance (i.e., the 6th IPCC assessment report)	Required conversion of GHG's into a CO_2 equivalent value using the same IPCC assessment report referred to in the *National Greenhouse and Energy Reporting Act 2007* and associated regulations (NGER) and the Paris Agreement (i.e., the 5th IPCC assessment report)	Avoids regulatory burdens for Australian entities that would be required to use Global Warming Potential (GWP) values based on the IPCC 5th assessment report under the NGER scheme legislation	**Substantively aligned to IFRS S2** The final AASB S2 aligns to IFRS S2 and thereby prioritises the Greenhouse Gas Protocol (GHG Protocol), instead of the NGER legislation as the default framework to measure greenhouse gas emissions (whilst permitting entities to use the NGER legislation). As such, the CO_2 equivalent value is prescribed in AASB S2 as being those based on the latest 6th IPCC assessment report
Permits the use of a method other than the GHG Protocol when required to do so by a jurisdictional authority or an exchange on which the entity is listed	Required the prioritisation of relevant methodologies under NGER before referring to other GHG measurement methods	To align with the proposals in Treasury's second consultation	**Substantively aligned to IFRS S2** The final AASB S2 aligns to IFRS S2 and thereby prioritises the Greenhouse Gas Protocol (GHG Protocol), instead of the NGER legislation as the default framework to measure greenhouse gas emissions (whilst permitting entities to use the NGER legislation). As such, the seven greenhouse gases in the GHG Protocol would be adopted (consistent with the original proposals) and greenhouse gas global warming potential values would be aligned with IFRS S2 (rather than the NGER legislation)
Requires the disclosure of location-based scope 2 GHG emissions	Proposed the disclosure of market-based scope 2 GHG emissions in addition to location-based measures	To align with the proposals in Treasury's second consultation	**Substantively aligned to IFRS S2** The final AASB 2 removes the mandatory requirement that was in the Exposure Draft for entities to disclose market-based greenhouse gas emissions and aligns with the requirements of IFRS S2. Entities could choose to provide this information if they wish to do so and NGER reporters would be required to disclose this measure if required by the NGER legislation in the future

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Exposure Draft			Final AASB S2
IFRS S2	**Proposed ASRS 2**	**Rationale for modification**	
When certain conditions are met, permits the measurement of GHG emissions using information from periods that are different from its own reporting period	Proposed to require that Scope 3 GHG emissions can be measured using data for the immediately preceding period where information is not available without undue cost or effort	To align with the proposals in Treasury's second consultation	**Substantively aligned to IFRS S2** The final AASB 2 removes the Australian-specific guidance from the Exposure Draft that would have permitted an entity to measure and disclose scope 3 emissions using data from the immediately preceding financial year, as this was seen as more stringent than IFRS S2 (which requires entities to use the 'most recent data available' without undue cost or effort). This change will allow flexibility for entities to use information from earlier than immediately preceding period (if that is the most recent data available) and from entities in its value chain with differing reporting periods
Requires an entity to disclose the sources of its scope 3 emissions under the 15 categories taken from the GHG Protocol	Includes the 15 categories as **examples** that an entity could consider when disclosing sources of its scope 3 emissions (rather than requiring disclosure in accordance with the 15 categories)	The 15 categories are not referenced in the IPCC guidelines or the Paris Agreement and concerns about international alignment	**Substantively aligned to IFRS S2** The final AASB 2 requires entities to disclose their scope 3 greenhouse gas emissions using the 15 categories in the GHG Protocol (aligned with IFRS S2, noting the GHG Protocols may permit additional categories)
Requires entities participating in asset management, commercial banking or insurance activities to make additional disclosures of its financed emissions in accordance with the GHG Protocol	Required those entities to **consider the applicability** of those additional disclosures related to its financed emissions	To support sector neutrality and align the financed emissions paragraphs with the GHG Protocol regarding measurement of GHG emissions	**Substantively aligned to IFRS S2** The final AASB S2 aligns with IFRS S2 and requires entities participating in financial activities of asset management, commercial banking or insurance to provide additional and specific financed emission disclosures. This removes the exposure draft proposals that these entities only 'consider the applicability' of the disclosures and instead makes them mandatory. Note that consistent with the disclosure of other Scope 3 GHG emissions, the disclosure of financed emissions will only be mandatory from the second year of compliance
Carbon credits			
Defines a carbon credit as "An emissions unit that is issued by a carbon crediting programme and represents an emission reduction or removal of greenhouse gases. Carbon credits are **uniquely serialised**, issued, tracked and cancelled by means of an electronic registry."	Non-Kyoto ACCUs are not uniquely serialised. The AASB proposed to modify the definition of carbon credit in ASRS 2 to specify that carbon credits issued under the Australian Carbon Credits Units Scheme meet the definition of carbon credit,	To ensure non-Kyoto ACCUs can also be recognised as carbon credits.	**Substantively aligned to IFRS S2** The final AASB S2 adopts the IFRS S2 definition of "carbon credits", thereby excluding non-Kyoto credits (which are not uniquely serialised) arising under the Australian Carbon Credit Unit Scheme, which were originally proposed by the exposure draft to meet the definition. Entities however could still voluntarily disclose an entities use of these, as long as this does not obscure other material information required by AASB S2

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Exposure Draft			Final AASB S2
IFRS S2	**Proposed ASRS 2**	**Rationale for modification**	
Industry-based metrics			
Includes requirements related to general disclosures on governance, strategy and risk management identical to the requirements in IFRS S1	Requires an entity electing to make industry-based disclosures to consider industry-based metrics disclosed by entities operating in the same industry (as classified using ANZSIC)	The AASB decided not include the industry-based guidance accompanying IFRS S2 until the content has been comprehensively internationalised by the ISSB and undergone AASB due process	**Departure from IFRS S2** The final AASB 2 omits references to SASB Standards and IFRS S2 industry-based guidance and does not require industry-based disclosures – this is a departure from IFRS SDS. The AASB see this as an interim measure and is done in such a way that entities could voluntarily adopt the SASB Standards and industry guidance and provide industry-based disclosures to achieve compliance with IFRS SDS. In addition, the ANZSIC was considered an unsuitable source of guidance for AASB S2 and therefore the references to ANZSIC from the Exposure Draft were removed. The AASB will undertake a separate project to examine the suitability of the SASB Standards and the suitability of the requirement for industry-based disclosures now that the initial ASRS have been finalised.