

# AASB releases exposure draft on climate reporting

Reporting update  
25 October 2023, 23RU-13



## AASB Exposure Draft published

## Climate-first approach

## International alignment

## Proposed application financial years ending on or after 30 June 2025

## Submissions due by 1 March 2024

The Australian Accounting Standards Board (AASB) has released [Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information](#).

ED SR1 includes **three** proposed Australian Sustainability Reporting Standards (ASRS Standards) that include modifications to the baseline of IFRS® Sustainability Disclosure Standards<sup>1</sup>:

- [draft] ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information* - based on IFRS S1 but **limited to climate-related financial disclosure**
- [draft] ASRS 2 *Climate-related Financial Disclosures* - based on IFRS S2 with **Australian specific requirements**
- [draft] ASRS 101 *References in Australian Sustainability Reporting Standards*, a draft service Standard to list the relevant versions of any non-legislative documents published in Australia and foreign documents that are referenced in ASRS Standards.

The draft ASRS 1 and draft ASRS 2 are aligned internationally to IFRS S1 and IFRS S2 and build on the global baseline for investor-focused sustainability reporting in Australia – **with a climate-first approach**.

The main differences to the ISSB™ Standards are small and specific and have been made to fit the Australian context and Australian Regulations.

The ASRS Standards are proposed to be applicable for both profit and not-for-profit entities.

Treasury is **yet to release** its position paper following its second consultation in June 2023, to provide clarity on which entities will be in scope of the ASRS Standards and when<sup>2</sup>. The AASB is proposing the standards would apply to annual reporting periods beginning on or after 1 July 2024. However, the financial period in which an entity is first required to apply these ASRS Standards would be **subject to** decisions of the Australian Government.

Further details of the [draft] ASRS Standards and comparison to the ISSB Standards are set out in this Reporting Update.

ED SR1 has a 120-day comment period with submissions due by 1 March 2024.

***“The AASB draft standards are fit for purpose for the Australian context – aligned wherever possible with the international standards for consistency, but with a number of sensible variations to fit the Australian regulatory context.”***

**Adrian King**  
Partner in Charge, Climate Change & Sustainability Services

<sup>1</sup> IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*

<sup>2</sup> See [23RU-09 Mandatory climate-related financial disclosure](#) for further detail on Treasury's second consultation paper.



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# Snapshot – AASB release of sustainability standards ED



## What has been issued?

- **Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information** incorporating **three** proposed Australian Sustainability Reporting Standards (ASRS Standards):
  - [draft] ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information*
  - [draft] ASRS 2 *Climate-related Financial Disclosures*
  - [draft] ASRS 101 *References in Australian Sustainability Reporting Standards*, a draft service Standard
- ASRS 1 and ASRS 2 are based on IFRS® Sustainability Disclosure Standards<sup>1</sup> with **a climate-first approach**
- To apply to **annual reporting periods beginning on or after 1 July 2024**
- 120-day comment period with **submissions due by 1 March 2024**



## What are the key differences to ISSB™ Standards?

- **Scope:** ASRS focus on climate reporting only
- **Application:** ASRS apply to both for-profit and not-for-profit entities
- **Industry-specific metrics:** ASRS refer to ANZSIC instead of GIC and SASB
- **GHG emissions conversion and measurement:** ASRS prioritise NGER Scheme legislation instead of GHG Protocol
- **Climate resilience assessment:** ASRS mandate assessment against at least two possible future states, one consistent with most ambitious global temperature goal in the Climate Change Act 2022 (1.5°C above pre-industrial levels)<sup>2</sup>
- **Scope 2 GHG emissions:** ASRS require disclosure of both location and market-based emissions (with some transitional relief for the first three reporting periods)<sup>2</sup>



## Next steps

- **Get familiar** with the Exposure Draft content
- **Engage in discussions** on the proposals and the applicable transition reliefs in Australia
- **Provide feedback** to the AASB
- **Start planning** – perform gap analysis and create a roadmap to identify capacity constraints
- **Reach out** to KPMG contact during planning process

Treasury yet to release next position paper clarifying which entities are in scope of the ASRS standards and from when<sup>3</sup>



<sup>1</sup> IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*

<sup>2</sup> Applies to entities reporting under the *Corporations Act 2001*

<sup>3</sup> See [23RU-09 Mandatory climate-related financial disclosure](#) for further detail on Treasury's second consultation paper

# Overview: Draft ASRS 1 General Requirements for Disclosure of Climate-related Financial Information

ASRS 1 prescribes how an entity prepares and reports its **climate-related financial disclosures** that form part of its general purpose financial reporting. It sets out general requirements for the presentation of those disclosures, guidelines for their structure and minimum requirements for their content in order to provide users of general purpose financial reports with a complete set of climate-related financial disclosures.

ASRS 1 is built on IFRS S1 with variations to fit for the Australian context. Variations from IFRS S1 are discussed in Appendix 1.



## Key Features

- **Framework** – based on 4 pillars of IFRS S1 **limited to climate-related financial information**. Broadly, the *Task Force on Climate-related Financial Disclosure* (TCFD) have been adopted as the base disclosure framework.
- Disclose **material information** about climate-related risks and opportunities\*:
  - **Materiality concept** – aligned with Accounting Standards
  - If **no material** climate-related risks and opportunities - disclose fact and explain how came to conclusion.
- **Reporting entity** – same as the related financial statements.
- **Connected reporting** – between climate-related disclosures and the financial statements, and across the annual report more generally. This includes requiring consistency of data and assumptions, where relevant, between sustainability and financial information.
- **Timing of reporting** – same time and same period as financial statements.
- **Location of disclosures** – within general purpose financial reports and include information in a manner that enables users to locate disclosures. Can cross-reference out to another report that is available at the same time.
- **Industry-based metrics** – Does not **require** industry-based disclosures:
  - If **elect** to disclose - use well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry as classified in *Australian and New Zealand Standard Industrial Classification* (ANZSIC)
  - **No reference to Sustainability Accounting Standards Board (SASB) Standards.**

## Transitional relief

Not required to provide comparative information for any period before the date of application



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## Core Content

### Governance

- Who is tasked with governance?
- Skills and competencies
- How often they are informed
- Remit of oversight (targets, risks, opportunities)
- Delegation of responsibilities

### Strategy\*

- Climate risks / opportunities, impact on business model, value chain, strategy, cash flows and capital, financial position and performance
- Resilience of strategy
- Quantitative and qualitative progress of plans

### Risk Management\*

- Process for identification and prioritisation
- Assessment of likelihood and impacts
- Assumptions
- Monitoring, management and integration

### Metrics and Targets\*

- Specific metrics not identified
- Guidance provided on how to report on metrics
- Any targets or revisions to targets

\* Relief from disclosing information about a climate-related **opportunity** if that information is commercially sensitive.

# Overview: Draft ASRS 2 Climate-related Disclosures

ASRS 2 sets out disclosure requirements about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term.

ASRS 2 is built on IFRS S2 with variations to fit for the Australian context. Variations from IFRS S2 are further discussed in Appendix 1.

## Governance and Risk Assessment

**Aligns with ASRS 1** – the duplicated content between IFRS S2 and IFRS S1 is deleted and instead included by cross-reference to the corresponding paragraphs in ASRS 1.

## Strategy

**Aligns with ASRS 1** (duplicated content between IFRS S2 and IFRS S1 is deleted and instead included by cross-reference to the corresponding paragraphs in ASRS 1), **plus:**

- How climate-related targets will be resourced and achieved
- Any climate-related transition plan, including key assumptions and dependencies
- Planned adoption of new technologies
- Adaptation and mitigation efforts, including use of offsets
- Use of climate-related scenarios (which were used, why, and whether they are Paris-aligned)
- Key inputs, assumptions and uncertainties in scenarios and corresponding impact on strategy and business model.

## Transitional relief

- Not required to disclose scope 3 emissions metrics until the second period of reporting.
- If disclosing market-based Scope 2 GHG emissions\* not required to disclose for first **three** reporting periods



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## Metrics and Targets

### 7 consistent for all industries:

- Greenhouse gas emissions – Scope 1,2 and 3
- Transition risks
- Physical risks
- Climate-related opportunities
- Capital deployment
- Internal carbon price, where used
- Remuneration – executives defined as KMP and remuneration definition aligning with AASB 124 *Related Party Disclosures*.

### Industry- specific metrics:

- Not **required** to disclose
  - If **elect** to disclose – use well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry as classified in ANZSIC

## Greenhouse gas (GHG) emissions

- **Conversion** - using the global warming potential values from the Intergovernmental Panel on Climate Change (IPCC) assessment report referred in the *National Greenhouse and Energy Reporting* (NGER) Scheme legislation (currently AR5).
- **Measurement** – prioritise methodologies in NGER Scheme legislation.
- **Scope 3 emissions data** – may use data from immediately preceding reporting period if data at reporting period is not available without undue cost and effort.
- **Scope 2 emissions** – location-based & market-based\* (when applicable).

## Scenario analysis

- Undertake climate resilience assessments against at least **two** possible future states, **one consistent** with most ambitious global temperature goal in the Climate Change Act 2022 (1.5°C above pre-industrial levels)\*.



\* For companies that are required to report under *Corporations Act 2001*

# Appendix 1: ISSB™ Standards vs Draft ASRS

| Topic                         | Both IFRS S1 and IFRS S2  | Both Draft ASRS 1 and Draft ASRS 2   | Rationale for modifications  |
|-------------------------------|---|--|--|
| <b>Application</b>            | For-profit entities   | Both for-profit and not-for-profit entities  | Consistent with Treasury consultation paper and to support sector neutrality   |
| <b>All</b>                    | Content duplication across S1 and S2  | Remove duplication   | For simplification   |
| <b>Industry-based metrics</b> | <ul style="list-style-type: none"> <li>Required to disclose</li> <li>Required to consider SASB Standards and consider industry-based metrics adapted from SASB Standards</li> </ul> | <ul style="list-style-type: none"> <li>Not required to disclose</li> <li>If an entity elects to disclose – use well-established and understood metrics associated with particular business models, activities or other common features that characterise participation in the same industry as classified in ANZSIC</li> </ul> | Relevance to Australia. Reconsider SASB Standards only after comprehensive internationalisation by the ISSB and undergone AASB's own due process |

| Topic                                      | IFRS S1   | Draft ASRS 1  | Rationale for modifications  |
|--|---|---|--|
| <b>Scope</b>                               | <b>All</b> sustainability-related financial information including climate | <b>Limited</b> to climate-related financial information   | Climate-first approach in Australia  |
| <b>No material risks and opportunities</b> | No corresponding requirement in IFRS S1                                   | If no climate risks and opportunities, entities should disclose the fact and explain how conclusion was reached | Consistent with Treasury consultation paper and important for user understanding |
| <b>Location of disclosures</b>             | No detailed requirements in IFRS S1                                       | To provide information in a manner that enables users to locate disclosures                                     | To improve readability of annual reports containing climate disclosures          |
| <b>Interim reporting</b>                   | Optional  | Deleted   | Entity is not required to prepare interim climate-related financial disclosures  |

# Appendix 1: ISSB™ Standards vs Draft ASRS

| Topic                             | IFRS S2  | Draft ASRS 2  | Rationale for modifications  |
|-----------------------------------|--|---|--|
| <b>Scenario analysis approach</b> | An approach that is commensurate with its circumstances (not specifically defined)   | Undertake climate resilience assessments against at least <b>two</b> possible future states, <b>one consistent</b> with most ambitious global temperature goal in the <i>Climate Change Act 2022</i> (1.5°C above pre-industrial levels)* | To enhance comparability of entities' climate resilience, particularly on transition risk  |
| <b>GHG emissions conversion</b>   | Using the global warming potential (GWP) values from the latest IPCC assessment report as available at the reporting period (i.e: IPCC 6 <sup>th</sup> assessment report)    | Using IPCC assessment report referred in the NGER Scheme legislation (i.e: IPCC 5 <sup>th</sup> assessment report)  | To avoid regulatory burden for Australian entities that would be required to use GWP values based on the IPCC 5 <sup>th</sup> assessment report. |
| <b>GHG emissions measurement</b>  | Based on GHG Protocol Corporate Standard   | Prioritising relevant methodologies under the NGER Scheme legislation   | To align with NGER Scheme legislation and enhance comparability  |
| <b>GHG Emissions – Scope 2</b>    | Only required to disclose location-based   | Required to disclose: <ul style="list-style-type: none"> <li>• Location-based and</li> <li>• Market-based (when applicable*) with transitional relief for the first <b>three</b> reporting periods</li> </ul>                             | Consistent with proposal in Treasury consultation paper  |
| <b>Financed emissions</b>         | For entities participating in asset management, commercial banking and insurance activities <b>required</b> to make additional disclosures related to its financed emissions | For entities participating in asset management, commercial banking and insurance activities <b>to consider</b> additional disclosures related to its financed emissions   | To align with voluntary industry-based disclosure approach   |

\*For companies that are required to report under *Corporations Act 2001*

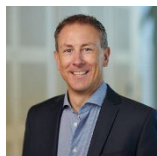


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# Sustainability Reporting Cross Firm Delivery Team

## Climate Change and Sustainability



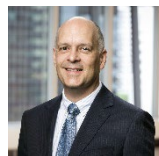
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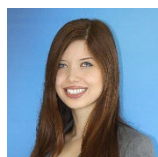
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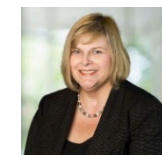
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## Governance, Risk and Compliance

## Enterprise



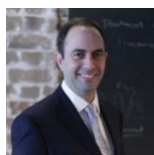
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## Financial Risk and Analytics

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