

# AASB Exposure Draft SR1 *Australian Sustainability Standards – Disclosure of Climate-related Financial Information*

## Highlights

- The ED includes **three proposed Australian Sustainability Reporting Standards (ASRS Standards)** that include modifications to the baseline of IFRS® Sustainability Disclosure Standards\*:
  - [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.
- Built on the global baseline for investor-focused sustainability reporting in Australia – with **a climate-first approach**.
- Proposed to be applicable for **both profit and not-for-profit entities**.
- Proposed to would **apply to annual reporting periods beginning on or after 1 July 2024**.
- ED SR1 has a 120-day comment period with **submissions due by 1 March 2024**.

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

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.



## ASRS 1: Overview

*Sets out general requirements for the presentation of climate-related financial 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.*

- **Framework** – based on 4 core contents of IFRS S1 **limited to climate-related financial information**.
- 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.
- 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.

## 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

### Metrics and Targets

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

### 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 and management

# AASB Exposure Draft SR1 *Australian Sustainability Standards – Disclosure of Climate-related Financial Information*

## ASRS 2: Overview

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.

### 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 included by cross-reference to the corresponding paragraphs in ASRS 1), **plus:**

- How climate-related targets will be resourced and achieved
- Climate-related transition plans, including key assumptions and dependencies
- Planned adoption of new technologies
- Adaptation and mitigation efforts, including use of offsets
- Use of climate-related scenarios – at least **two possible scenarios** are required **one consistent with** the most ambitious global temperature goal in the Climate Change Act 2022 (1.5°C above pre-industrial levels)\*
- Key inputs, uncertainties and assumptions in scenarios.

### Metrics and Targets

#### 7 consistent for all industries:

- Greenhouse gas emissions – Scope 1,2 and 3
  - **Conversion and measurement** – based on the *National Greenhouse and Energy Reporting* (NGER) Scheme legislation
  - **Scope 2 emissions** – location-based & market-based\* (when applicable).
- 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.

## Transition relief

- **ASRS 1 and 2** – Not required to provide comparative information for any period before the date of application.
- **ASRS 2** – Not required to disclose Scope 3 emissions metrics until the second period of reporting.
- **ASRS 2** – If disclosing market-based Scope 2 GHG emissions\* not required to disclose for first three reporting periods.

## Key questions to consider

- Are climate issues material to your business? Consider physical and transitional risks.
- Are your climate change strategies ready for disclosure?
- Do you have a governance structure providing oversight of sustainability issues?
- Where are the gaps between current and future-state reporting?
- Does your organisation have access to the right knowledge/skills to address those gaps?
- Do you have the right systems and processes in place to collect data?
- Is your data ready for scrutiny and assurance?

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

# Sustainability Reporting Cross Firm Delivery Team

## Climate Change and Sustainability



**Adrian King**  
Partner in Charge,  
Melbourne



**Andrew King**  
Partner, Sydney



**Julia Bilyanska**  
Partner, Melbourne



**Nick Moffatt**  
Partner, Perth



**Pete Trace**  
ESG Reporting lead,  
Partner, Melbourne



**Daniel Bruce**  
Partner, Sydney



**Nat Sutherland**  
Director, Sydney



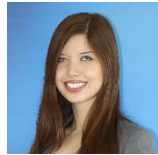
**Daniel Camilleri**  
Partner, Sydney



**Maritza Araneda**  
Partner, Melbourne



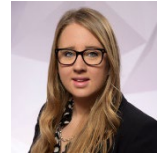
**Mark Spicer**  
Partner, Sydney



**Tanya Kerkvliet**  
Director, Perth



**Sarah Newman**  
Director, Melbourne



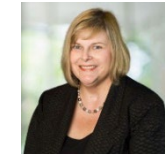
**Kym Hearn**  
Director, Melbourne



**Nick Ridehalgh**  
Director, Sydney



**Nathan Kessey**  
Director, Sydney



**Rowena Craze**  
Partner, Brisbane



**Alex Stepanyants**  
Director

## Enterprise



**John Ward**  
Partner



**Josh Geelan**  
Partner



**Deborah Henderson**  
Partner



**Yair Iny**  
Partner



**Phil Hoey**  
Director

## Technology

## Strategy

## Financial Risk and Analytics



**Bartosz Piwcewicz**  
Partner



**Joseph Hoang**  
Associate Director

The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

'ISSB™' is a Trade Mark and 'IFRS®', 'IASB®', 'IFRIC®', 'IFRS for SMEs®', 'IAS®' and 'SIC®' are registered Trade Marks of the IFRS Foundation and are used by KPMG Australia under licence subject to the terms and conditions contained therein. Please contact the IFRS Foundation for details of countries where its Trade Marks are in use and/or have been registered.