

# First Australian Sustainability Reporting Standards

Reporting update

30 August 2024, 24RU-11



**Australian Sustainability Reporting Standards close to finalisation**

**Mandatory climate reporting**

**International alignment**

**Effective 1 January 2025**

The first **Australian Sustainability Reporting Standards** (ASRS) are close to finalisation after the Australian Accounting Standards Board (AASB) discussed final working drafts at its meeting on 26 August 2024 comprising:

- AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* – a voluntary Standard
- AASB S2 *Climate-related Disclosures* – a mandatory Standard

AASB S1 is a **voluntary** standard for all sustainability-related information (including climate) while AASB S2 is a **mandatory** standard on climate reporting in line with the recently Senate-approved climate-related disclosures Bill (See [24RU-10 Climate-related financial disclosures Bill passed](#)). Selected general requirements in AASB S1 are included as an appendix to AASB S2 to allow AASB S2 to function as a standalone standard.

AASB S1 and AASB S2 are aligned internationally to IFRS S1<sup>1</sup> and IFRS S2<sup>2</sup>.

The **main difference** to the ISSB™ Standards is that the AASB S2 **does not**:

- refer to and consider the SASB<sup>3</sup> Standards, or
- **require** an entity to disclose industry-based metrics or consider those disclosure topics.

This departure from IFRS S2 is an interim measure as the AASB embarks on a specific project on industry-based information relating to climate-related disclosures.

AASB S1 and AASB S2 effective from 1 January 2025 and are applicable for both profit and not-for-profit entities.

The AASB will issue the final standards once the Climate-related financial disclosures Bill is passed by the House of Representatives (scheduled to sit in the week beginning 9 September 2024 – the earliest the Bill can be finalised).

Further details of the requirements and comparison to the ISSB Standards are set out in this Reporting Update.

***“We have consistently supported globally aligned sustainability standards. These first two Australian Sustainability Reporting Standards will strengthen the ability of Australian entities to participate on the international stage. We congratulate all stakeholders that worked together to realise this achievement in such a short time.*”**

***The stage is now set in Australia for mandatory climate-related financial disclosures with the parliamentary process poised to finalise the legislative mandate; the AASB to finalise these first sustainability standards; and the AUASB to complete its consultations on the related assurance roadmap.”***

**Adrian King**

**Partner in Charge, ESG Advisory & Assurance  
KPMG Australia**

<sup>1</sup> IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

<sup>2</sup> IFRS S2 Climate-related Disclosures

<sup>3</sup> Sustainability Accounting Standards Board



# First Australian Sustainability Reporting Standards

30 August 2024



# Snapshot – Australian Sustainability Reporting Standards



## What has been agreed?

- The first **Australian Sustainability Reporting Standards** (ASRS) were discussed by the Australian Accounting Standards Board (AASB) on 26 August 2024 with a view to finalise. The first ASRS comprise:
  - AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* – a voluntary standard
  - AASB S2 *Climate-related Disclosures* – a mandatory standard
- AASB S1 and AASB S2 are based on IFRS® Sustainability Disclosure Standards<sup>1</sup>
- To apply to **annual reporting periods beginning on or after 1 January 2025**
- AASB will issue the final standards once the Climate-related financial disclosures Bill<sup>2</sup> is passed by the House of Representatives (scheduled to sit in **the week beginning 9 September 2024** – earliest the Bill can be finalised)



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

- **Scope:** AASB S1 is a **voluntary** standard on general requirements for sustainability-related financial information while AASB S2 is a **mandatory** standard on climate
- **Application:** AASB S1 and AASB S2 apply to both for-profit and not-for-profit entities
- **AASB S1:** Apart from being a voluntary standard, **no differences**. Incorporates all IFRS S1 requirements without modification
- **AASB S2:**
  - **General requirements for disclosure:** incorporates selected content from AASB S1 (general requirements for disclosure) necessary to make AASB S2 **function as the standalone** standard for **all climate-related financial disclosures**. That content is included in Appendix D of AASB S2
  - **Industry-based information:** no requirement to consider or disclose industry-based metrics



## Next steps

- **Get familiar** with the standards
- **Follow the issuance** of final standards by the AASB expected in September 2024.
- **Follow the finalisation of the legislation** and understand how it applies to you
- **Start planning** – perform gap analysis and create a roadmap to identify capacity constraints
- **Reach out** to KPMG contact during planning process
- **Be alert** for guidance and relief issued by ASIC, the regulator responsible for administering the legislation mandating preparation of sustainability reports
- **Access** our further **resources**

### [First Impressions – IFRS S1 and IFRS S2](#)

Insights and illustrative examples



### [Reporting Update](#)

Senate-approved Bill



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

<sup>2</sup> See [24RU-10 Climate-related financial disclosures legislation passed](#) for details of the Senate-approved Bill

# Overview: AASB S2 *Climate-related Disclosures* (mandatory standard)

AASB S2 sets out disclosure requirements for climate-related risks and opportunities that could reasonably be expected to affect an entity's cash flows, access to finance or cost of capital over the short, medium or long term. The climate-related financial disclosures are divided into four key pillars, being governance, strategy, risk management, and metrics and targets, and include required disclosures on scenario analyses and greenhouse gas emissions (Scope 1, 2 and 3).

AASB S2 is a **mandatory** standard, modelled on IFRS S2 with minimal variations to fit the Australian context (see Appendix 1).

AASB S2 incorporates selected content from AASB S1 necessary to make AASB S2 function as the standalone standard for all climate-related financial disclosures (including location of disclosures, timing of reporting and disclosures related to judgements, uncertainties and errors). That content is included in Appendix D of AASB S2. Entities required by the *Corporations Act 2001* to comply with AASB S2 are not required to comply with AASB S1 but may refer to it for guidance. Entities may voluntarily elect to apply AASB S1 in preparing their sustainability report.



## General requirements

**Aligns with AASB S1** – see *Key Features* on [AASB S1 page](#) except for:

- **Reporting entity** – same as the related financial statements, **unless otherwise permitted by law**. Under the Senate-approved *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill*, a parent entity has the choice of preparing a sustainability report for either the consolidated entity or the parent entity. AASB S2 has been aligned to this requirement.



## Transitional relief

- Not required to disclose Scope 3 emissions metrics until the second period of reporting.
- Not required to provide comparative information for any period before the date of application.



## Core Content



## Governance and Risk Management

**Aligns with AASB S1** – see *Core content: Governance and Risk Management* on [AASB S1 page](#).



## Scenario analysis

- Undertake climate resilience assessments using an approach commensurate to the entity's circumstances.

For entities that are **required to report under the *Corporations Act 2001***, the Senate-approved Bill\*\* mandates the disclosure of information derived from scenario analysis carried out using both a 'low' (1.5C) and a 'high' (2.5C or higher) global warming scenario.

\*\*Not a requirement of AASB S2 but will be by legislation



## Strategy

**Aligns with AASB S1** – see *Core content: Governance and Risk Management* on [AASB S1 page](#), **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 used, why and time horizon).
- Key inputs, assumptions and uncertainties in scenarios and corresponding impact on strategy and business model.

# Overview: AASB S2 *Climate-related Disclosures* (continued)

## Core Content

### Metrics and Targets

#### 7 metrics consistent for all industries:

- Greenhouse gas (GHG) emissions – Scope 1, 2 and 3
- Transition risks – \$ and % of assets or business activities vulnerable to transition risks
- Physical risks – \$ and % of assets or business activities vulnerable to physical risks
- Climate-related opportunities – \$ and % of assets or business activities aligned with climate-related opportunities
- Capital deployment – \$ of capital expenditure, financing or investment deployed towards climate-related risks and opportunities
- Internal carbon price, where used - \$ per metric tonne of GHG emissions
- Remuneration – proportion of executive management remuneration linked to climate-related considerations in the current period.

#### Industry-specific metrics:

- Not **required** to disclose

The AASB plans to embark on a future project on industry-specific measures for climate-related disclosures.

### Greenhouse gas (GHG) emissions

- **Measurement** – GHG Protocol<sup>1</sup>, unless required by a jurisdictional authority to use a different method  
This means that if an entity is required by an Australian authority (e.g. Australian legislation) to use a specific method for measuring its GHG emissions (e.g. methodologies in NGER Scheme legislation) it may use that methodology to report their GHG emissions. Otherwise, the GHG Protocol must be prioritised.
- **Scope 3 emissions** – consider and disclose which of the 15 categories of Scope 3 emissions in GHG Protocol Corporate Value Chain<sup>2</sup> are included in the entity's disclosures
- **Scope 3 financed emissions** – required for those involved in asset management, commercial banking, or insurance

#### Scope 3 – First year transition relief

- Not required to disclose Scope 3 emissions metrics until the second period of reporting

<sup>1</sup> Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004)

<sup>2</sup> Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)

# Overview: AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* (voluntary standard)

AASB S1 prescribes how an entity prepares and reports its **sustainability-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 to provide users of general-purpose financial reports with a complete set of sustainability-related financial disclosures.

AASB S1 is a **voluntary** standard modelled on IFRS S1 with minimal variations (see Appendix 1).

## Key Features

- **Framework** – based on 4 pillars of IFRS S1. Broadly, the *Task Force on Climate-related Financial Disclosure* (TCFD) have been adopted as the base disclosure framework.
- Disclose **material information** about sustainability-related risks and opportunities\*:
  - **Materiality concept** – aligned with Australian Accounting Standards.
- **Reporting entity** – same as the related financial statements, covering the entity's full value chain.



- **Connected reporting** – between sustainability-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. Can cross-reference out to another report as long as meet certain conditions.

## Transitional relief

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

## 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\*

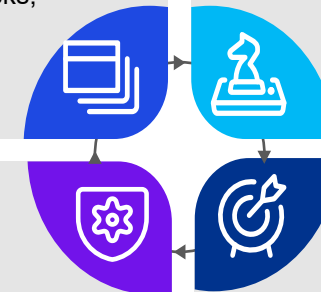
- Sustainability risks / opportunities, impact on business model, value chain, strategy, cash flows and capital, financial position and performance
- Resilience of strategy
- Quantitative and qualitative progress of plans

### Risk Management\*

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

### Metrics and Targets\*

- Specific metrics not identified
- Include industry metrics and refer to SASB Standards
- Guidance provided on how to report on metrics
- Any targets or revisions to targets



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

# Appendix 1: ISSB™ Standards vs Australian Sustainability Reporting Standards

Topic	Both IFRS S1 and IFRS S2	AASB S1 and AASB S2
<b>Application</b>	For-profit entities	Both for-profit and not-for-profit entities

Topic	IFRS S1	AASB S1
<b>Scope</b>		<b>Voluntary</b> standard
<b>Transition relief</b>	<ul style="list-style-type: none"> <li>Comparative information not required for any period before the date of application</li> <li>Timing of reporting relief for first year</li> </ul>	Comparative information not required for any period before the date of application

Topic	IFRS S2	AASB S2
<b>Scope</b>		<b>Mandatory</b> standard for climate (as required in the Climate-related financial disclosure <a href="#">legislation</a> )
<b>Industry-based metrics</b>	<ol style="list-style-type: none"> <li>Required to disclose common industry- based metrics</li> <li>When identifying these metrics, required to consider SASB Standards and consider industry-based metrics adapted from SASB Standards</li> </ol>	<ol style="list-style-type: none"> <li>No requirement to disclose common industry-based metrics</li> <li>No requirement to refer to and consider SASB Standards</li> </ol>
<b>Reporting entity</b>	Same as the related financial statements	Same as the related financial statements, unless otherwise permitted by law
<b>General requirements for disclosure</b> (e.g. location of disclosures, timing of reporting and disclosures relating to judgements, uncertainties and errors)	Reference IFRS S1	Content of AASB S1 necessary to make AASB S2 function as the standalone standard for all climate-related financial disclosures incorporated in Appendix D

**Scenario analysis** – For entities that are **required to report under the Corporations Act 2001**, the Senate-approved Bill\*\* mandates the disclosure of information derived from scenario analysis carried out using both a 'low' (1.5C) and a 'high' (2.5C or higher) warming scenario. **\*\*Not a requirement of AASB S2 (or IFRS S2).**



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