



Sustainability Reporting in Australia

Webinar
27 February 2024





Acknowledgement of Country

KPMG acknowledges Aboriginal and Torres Strait Islander peoples as the First Peoples of Australia. We pay our respects to Elders past, present, and future as the Traditional Custodians of the land, water and skies of where we work.

At KPMG, our future is one where all Australians are united by a shared, honest, and complete understanding of our past, present, and future. We are committed to making this future a reality. Our story celebrates and acknowledges that the cultures, histories, rights, and voices of Aboriginal and Torres Strait Islander People are heard, understood, respected, and celebrated.

Australia's First Peoples continue to hold distinctive cultural, spiritual, physical and economical relationships with their land, water and skies. We take our obligations to the land and environments in which we operate seriously.

Guided by our purpose to 'Inspire Confidence. Empower Change', we are committed to placing truth-telling, self-determination and cultural safety at the centre of our approach. Driven by our commitment to achieving this, KPMG has implemented mandatory cultural awareness training for all staff as well as our Indigenous Peoples Policy. This sincere and sustained commitment has led to our 2021-2025 Reconciliation Action Plan being acknowledged by Reconciliation Australia as 'Elevate' – our third RAP to receive this highest level of recognition. We continually push ourselves to be more courageous in our actions particularly in advocating for the Uluru Statement from the Heart.

We look forward to making our contribution towards a new future for Aboriginal and Torres Strait Islander peoples so that they can chart a strong future for themselves, their families and communities. We believe we can achieve much more together than we can apart.

Agenda

01 Introduction

02 The implications of the Treasury Policy position for climate-related disclosures

03 Key lessons learned to date from the preparation for implementation of the ED SR1 (ASRS 1 and 2), covering:

- reporting and assurance preparedness
- the role of technology
- reflections on data governance

04 Q&A



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02

ESG Reporting Developments Overview

[Draft] Australian Sustainability Reporting Standards

ASRS 1 & ASRS 2

- Based on ISSB™ Standards – IFRS S1 & IFRS S2

Key differences

- **Scope: Climate focus**
- **Application:** For-profit and not-for-profit
- **Industry-specific metrics:** Use ANZSIC instead of GIC. No SASB standards reference
- **GHG emissions conversion and measurement:** Prioritise NGER Scheme legislation over GHG Protocol
- **Scenario analysis:** One of two possible future states must be consistent with *Climate Change Act 2022* temperature goal
- **Scope 2 GHG emissions:** Both location and market-based
- Transitional reliefs

Governance

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

Risk Management

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

Strategy

- Climate risks, impact on business model, value chain, strategy, cash flows and financial position
- Resilience of strategy
- Quantitative and qualitative progress of plans
- How climate-related targets will be resourced and achieved
- Climate-related transition plans (key assumptions and dependencies)
- Planned adoption of new technologies
- Adaptation and mitigation efforts (use of offsets)

Metrics and Targets

1. Greenhouse gas emissions – Scope 1,2 and 3
2. Transition risks
3. Physical risks
4. Climate-related opportunities
5. Capital deployment
6. Internal carbon price, where used
7. Remuneration

Treasury policy position statement & draft legislation – what's new?

Reporting entities & phasing

Who's included and exemptions

Included: Assets under management > \$5 billion

Exempt:

- ACNC registered
- ASIC Class order exempts financial report lodgement e.g. Wholly-owned subsidiary party to deed of cross guarantee

Consolidated entity

Reporting content

Group 3 materiality exemption

Reporting entities and phasing – Three-phased approach

		Required to report under Chapter 2M <u>and</u> falls within one (or more) of the following three categories					
		Meet two of three reporting thresholds:			National Greenhouse and Energy Reporting (NGER) Reporters	Asset Owners	
		Consolidated revenue (For the financial year)	Consolidated assets (As at the end of financial year)	Employees			
<p>Financial year commences between 1 July 2024 and 30 June 2026</p> <p>First annual reporting periods beginning on or after</p>	<p>Defer by 6-months? i.e. 1 January 2025</p>	Group 1	\$500 million or more	\$1 billion or more	> 500	Above NGER publication threshold	N/A
		Group 2	\$200 million or more	\$500 million or more	> 250	All other NGER reporters	\$5 billion or more assets under management
		Group 3*	\$50 million or more	\$25 million or more	> 100	N/A	N/A

* Group 3 materiality exemption (No material climate-related risks or opportunities, only required to disclose a statement to that effect)

Treasury policy position statement & draft legislation – what's new?

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Reporting framework

Separate report? but Index table recommended

Sustainability report will consist of:

- Climate statements as required by ASRS
- Notes to the climate statement (if any)
- Any statements prescribed by Regulations
- Directors' declaration about the compliance of the statements with the relevant ASRS

Liability framework

Fixed period of three years for reports issued between 1 July 2025 and 30 June 2028

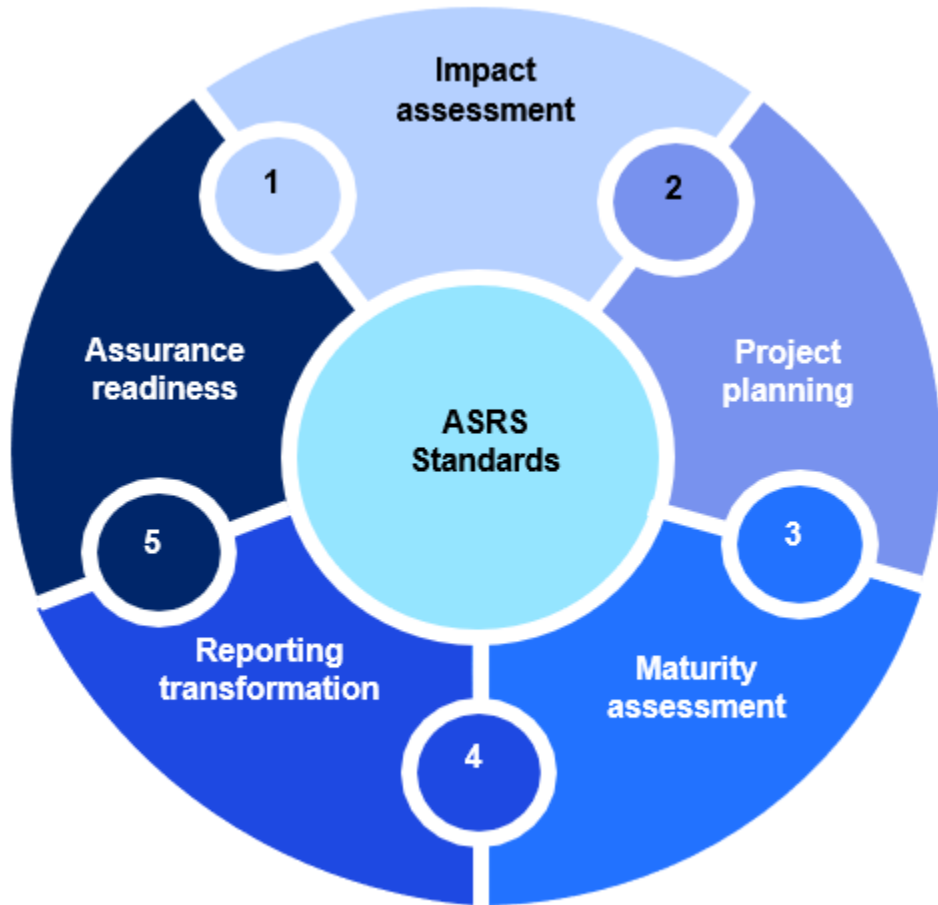
Assurance

Australian Auditing and Assurance Standards Board (AUASB) to **develop extent and pathway**

03

Implementation Considerations

ASRS implementation – a practical roadmap



1

Impact assessment

- Understand when and how these standards will impact your company
- ASRS Gap Analysis - Carbon inventory (Scope 1, 2 and 3)
- Management and Board briefings

2

Project planning

- Leverage gap analysis
- Multi-disciplinary, accountabilities, milestones
- Monitoring and management

3

Maturity assessment

- Assess the maturity of processes, the control environment, data models and policies
- Understand the current distribution of roles and available knowledge and capacity (Process, controls, data systems, alignment of definitions and methodologies)

4

Reporting transformation

- Consider the future state of your reporting
- Coherent and connected narrative

5

Assurance

- Pre-assurance
- Limited assurance
- Reasonable assurance

Reporting Readiness

Key questions we are hearing from our clients...

Topic	Considerations
Global reporting	<ul style="list-style-type: none">• Leveraging overseas group reporting - materiality of issues; materiality thresholds• Consolidation: Subsidiaries of different ultimate Australian parents
Connectivity	<ul style="list-style-type: none">• Development of sustainability information should be performed in conjunction with financial information e.g. forward-looking information
Assurance	<ul style="list-style-type: none">• Will there be one or two opinions?• Is assurance limited to climate-related disclosures?
Funds Under Management	<ul style="list-style-type: none">• Is reporting predicated on assets recognised on the balance sheet or funds under management?

Reporting Readiness

Key questions we are hearing from our clients...

Topic	Considerations
Organisational Boundary	<ul style="list-style-type: none">• Hierarchy of NGER and GHG protocol:<ul style="list-style-type: none">• NGER (Operational control)• GHG Protocol: Control (Operational or Financial) vs Equity Share approach• Treatment of Joint Ventures and Joint Operations
Scope 3 Emissions	<ul style="list-style-type: none">• Reporting period• Level of estimation• Modified liability
Emissions Factors	<ul style="list-style-type: none">• Hierarchy of NGER and GHG Protocol:<ul style="list-style-type: none">• NGER - 5th IPCC Assessment• ISSB / GHG Protocol - 6th IPCC Assessment
Risk and Opportunities	<ul style="list-style-type: none">• How to define – is there a list?• How to assess significance/materiality

Assurance requirements and timeline

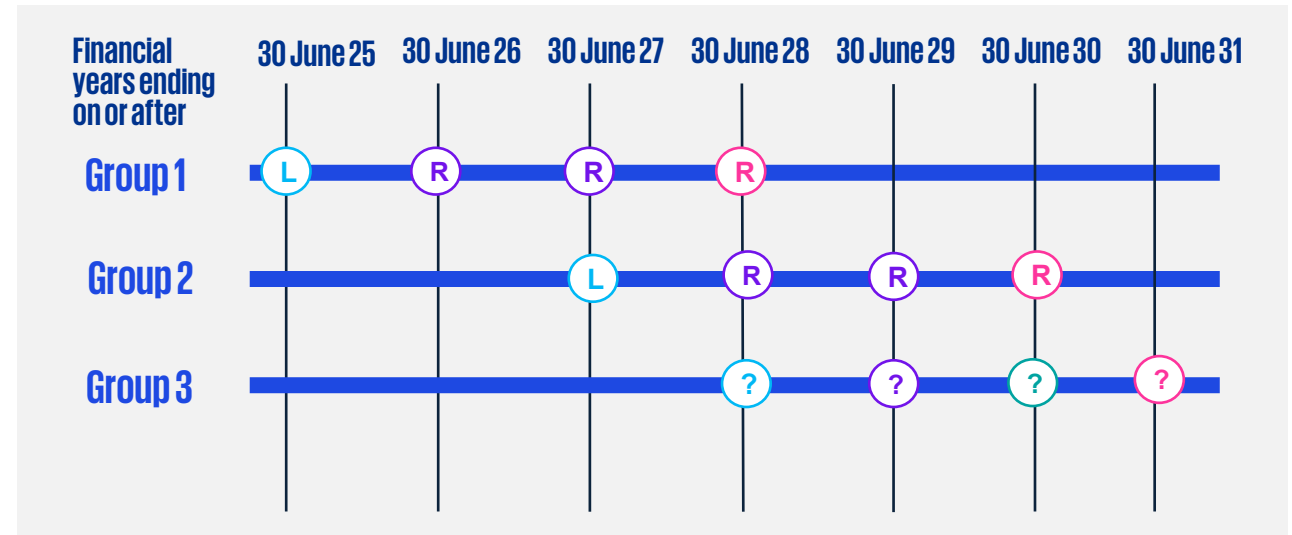
Treasury position paper

30 June 25 30 June 26 30 June 27 30 June 28 30 June 29 30 June 30 30 June 31



AUASB to determine the roadmap

AUASB possible assurance pathway – consultation to come



L Limited assurance
Scope 1 and 2
emissions

R Reasonable assurance
governance disclosures, Scope 1
and 2 emissions, and other metrics
and targets
Limited assurance strategy, risk
management, Scope 3 emissions,
scenario analysis and transition
plans

R Reasonable assurance
all climate disclosures

Potential financial statement implications



Impairment of non-financial assets
& asset useful lives



Financial asset values – Expected credit
losses



Fair value measurement and projections



Connectivity of financial statement
assumptions to climate reporting
assumptions



Compensation and employee benefits



Provisions and contingent liabilities – net-
zero or other environmental commitments



Onerous contracts



Estimation uncertainty and judgements

Technology is continually developing



Consider
Existing Tech
Infrastructure

Embed ESG into
all new
Technology
Projects



Auditable climate
modelling and
forecasting

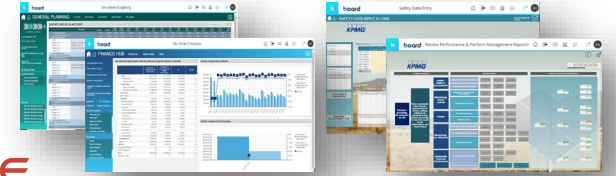


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Technology Solutions

EMBEDDED ESG



- Advanced data integration and ability to customise a carbon emissions solution.
- Primary use of average industry factors for scope 3 calculation.



- Out of the box connectors to product, ops and asset data.
- Supports all Scope 3 calculation methods
- Custom metrics and visualization.
- Integrates with building management and asset monitoring.



- User friendly data ingestion with prebuilt connectors
- Set science-based targets & forecasts.
- Simulate business decisions on emissions reduction.
- Spend based and average industry factors for scope 3



- Program management and governance of ESG initiatives.
- Risk and compliance management.



- Collect and aggregate unstructured data from multiple sources.
- Advanced disclosure reporting leveraging 4 major ESG frameworks.



- Direct connection to core financial, procurement, HR operations data.
- Automate planning processes via data driven modelling and forecasting.
- Spend based calculation method for scope 3 emissions.



- Direct connection to core financial, procurement, HR operations data.
- Product lifecycle emissions impact analyses.
- Spend based and average industry factors for scope 3



Leverage HR and Finance data to analyse and progress social goals

ESG Data Governance and Management

Data Governance



Data Management



04

Q&A

ISSB Reporting Cross Firm Delivery Team

Climate Change and Sustainability



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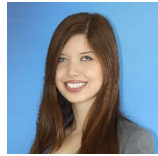
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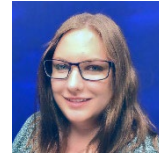
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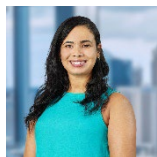
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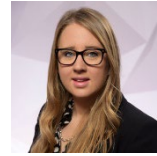
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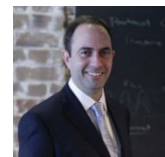


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