

Sustainability Reporting – IAPA Briefing

Michael Bray – 6 February 2024



Deakin University CRICOS Provider Code: 00113B



Agenda

‘Sustainability’ and ‘ESG’

IFRS Sustainability Disclosure Standards
S1 and S2

Integrated reporting

- Integrated Reporting / Integrated Thinking
- The Integrated Report
- The Integrated Report and S1 / S2
- Assurance

Global Corporate Reporting System –
History, Present and Future – Timeline

IFRS Sustainability Knowledge Hub

Timeline

Your firm and your clients

- AsPac jurisdictions and S1 and S2
- Scalability to SMEs
- Available resources
- Getting started / ready

'Sustainability' and 'ESG'

'Sustainability Matters' are ...

Matters Which are Relevant and Material to ...

Enterprise Value / Net Present Value of Future Cash Flows / Business Model

'Financial' = Enterprise Value > Net Assets Recorded on Balance Sheets Under IFRS



IFRS Foundation concept of 'Sustainability'

- No formal definition of 'sustainability'
- Description of 'sustainability' concept
 - Uses concepts from IR Framework
 - Emphasis on six capitals rather than enterprise value (de-emphasised but still implicit)
- Is a definition of 'sustainability-related financial'
 - Material to investors
 - Boundary of IFRS Foundation business model
- Lack of conceptual clarity has been a key driver of volume and complexity – the 'alphabet soup'
- Materiality
 - Financial materiality (IFRS Accounting Standards)
 - Impact materiality (GRI Standards)
 - Double materiality (EU ESRS)
 - Materiality to enterprise value (financial materiality, IFRS Sustainability Disclosure Standards)
 - Dynamic materiality (IFRS Foundation)



Investor-focused financial information is in the 'middle box', the boundary of which is enterprise value



IFRS Sustainability Disclosure Standards

Background

S1 – General Requirements

S2 – Climate

Future

ISSB objectives



Develop standards for a **global baseline of sustainability disclosures** meeting information needs of global investors



Enable companies to provide comprehensive, decision-useful sustainability information to global capital markets



Deliver a common language of sustainability disclosures, with the flexibility for regional **'building blocks'** to be added by regulators when necessary **to meet local and multi-stakeholder information needs.**

Towards a comprehensive global baseline for disclosure



- May be added to meet jurisdiction-specific requirements (eg ESRS)
- May be adopted to meet broader multi-stakeholder needs (eg GRI Standards)

ISSB Standards



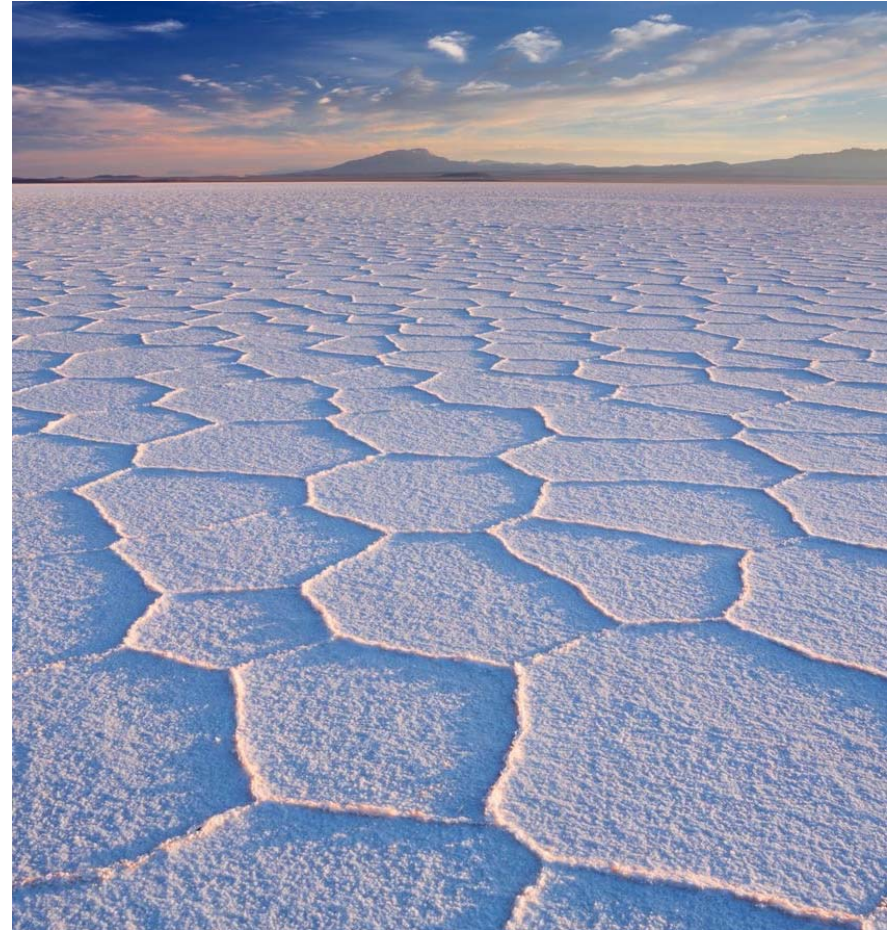
BASELINE

- Provides a comprehensive foundation of disclosure
- Common language for comparable, cost effective, decision-useful disclosures
- Designed to meet investor needs across global capital markets

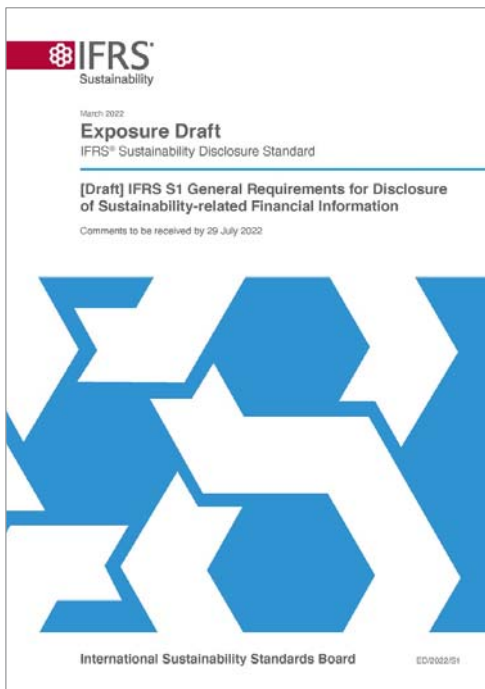
Efficiency through interoperability

A critical focus

- **Ongoing dialogue with jurisdictions**, eg the European Commission, working on jurisdiction-specific disclosure requirements
- Many redeliberation decisions – eg enterprise value, Scope 3 – **support interoperability**
- Adopted the **TCFD architecture** to drive alignment
- Working with **GRI** to deliver a comprehensive sustainability reporting regime
- CDP to align platform to S2, **reducing market fragmentation** for CDP users

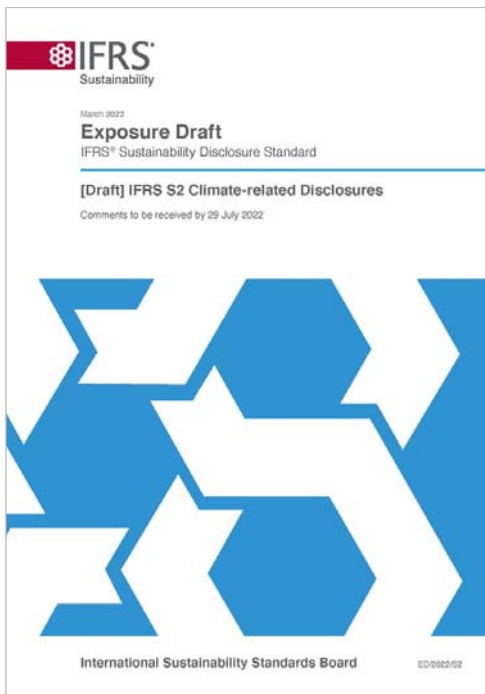


S1: General Requirements for Sustainability-related Disclosure



- Asks for disclosure of **material information** about **sustainability-related risks and opportunities** to meet investor information needs
- Applies **TCFD structure** (four pillars) whenever providing information about sustainability
- Requires **industry-specific disclosures**
- For matters other than climate (S2), refers to **sources to help companies** identify sustainability-related risks and opportunities and disclosures
- Can be used by companies that report to **any GAAP**

S2: Climate-related Disclosures



- Used in accordance with S1, S2 requires disclosure of **material information** about **climate-related risks and opportunities** to meet investor information needs
- Incorporates **TCFD Recommendations** fully and adds verifiability
- Requires disclosure of material information about **physical risks, transition risks**, and **climate-related opportunities**
- Requires **industry-specific disclosures**
- Provides illustrative guidance for **industry-specific metrics** built on SASB Standards to help companies identify sustainability-related risks and opportunities and disclosures

Key decisions on S1 and S2

S1

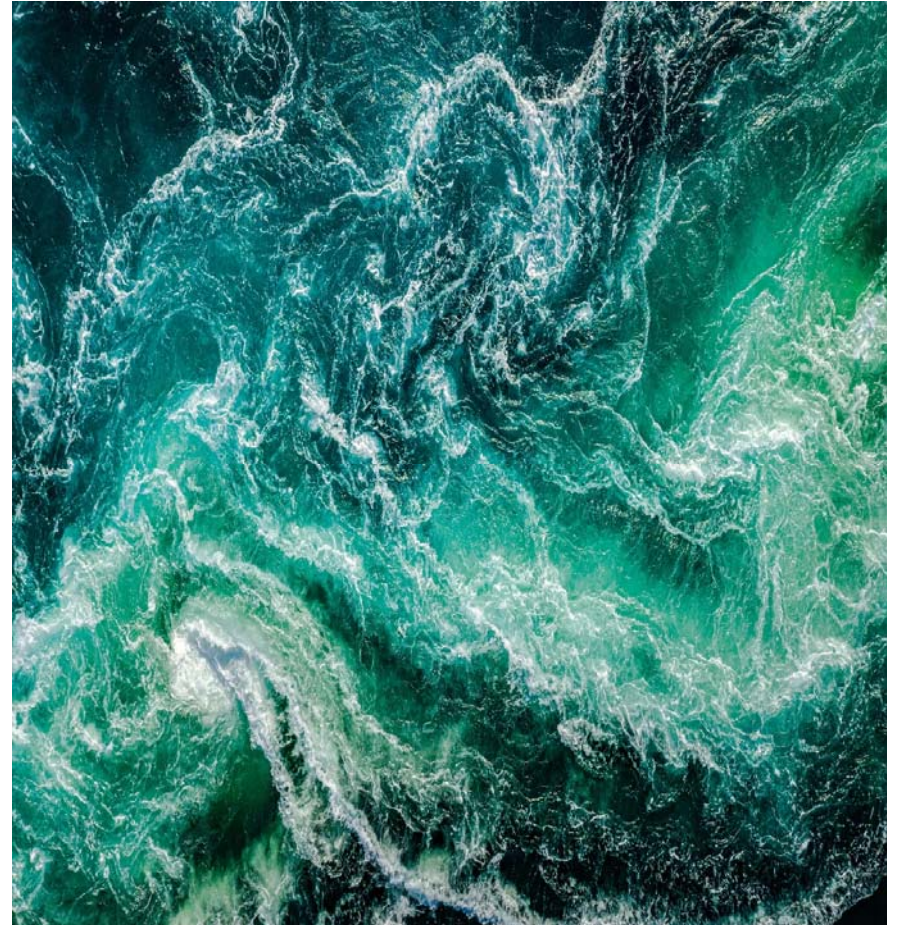
- Description of sustainability
- Sources of guidance (beyond climate)
- Alignment of timing of reporting with financials
- Consistent assumptions with financials

S2

- Scope 1-3 emissions
- Scenario analysis
- Financed emissions
- Industry-specific climate disclosure

Release Date: June 2023

Effective Date: 2024



Projects in the ISSB work plan

	Next milestone
Consultation on Agenda Priorities	Publish Request for Information
General Sustainability-related Disclosures (S1)	Issue S1 (final standard)
Climate-related Disclosures (S2)	Issue S2 (final standard)
IFRS Sustainability Disclosure Taxonomy	Publish Proposed IFRS Sustainability Disclosure Taxonomy (exposure draft)
Maintenance of the SASB Standards	Publish Proposed methodology for improving the international applicability (exposure draft)
Inherited SASB Standards Projects	Publish exposure drafts for projects that were at advanced stage at the time of the VRF consolidation

Integrated Reporting

- Integrated reporting/ integrated thinking
- The integrated report
- The integrated report and S1 disclosures
- Assurance

Integrated Reporting Framework

Use to drive connectivity



Drives connectivity between financial statements and sustainability-related financial disclosures



S1 uses concepts found in Integrated Reporting Framework to describe connection between sustainability and financial value



Supports high-quality corporate reporting



Underpinned by integrated thinking, to enhance quality of corporate governance

Integrated Reporting in concept ...

Integrated reporting is a process founded on integrated thinking that results in a periodic communication about an organization's [enterprise] value creation, preservation or erosion over time and related communications regarding aspects of value creation, preservation or erosion.

Integrated thinking is the active consideration by an organization of the relationships between its various operating and functional units and the capitals [6 capitals, in other words, resources and relationships] that the organization uses or effects. Integrated thinking leads to integrated decision-making and actions that consider the creation, preservation or erosion of value over the short, medium and long term.

A integrated report is the output of the integrated reporting process. It provides a window into the quality of an organisation's integrated thinking.

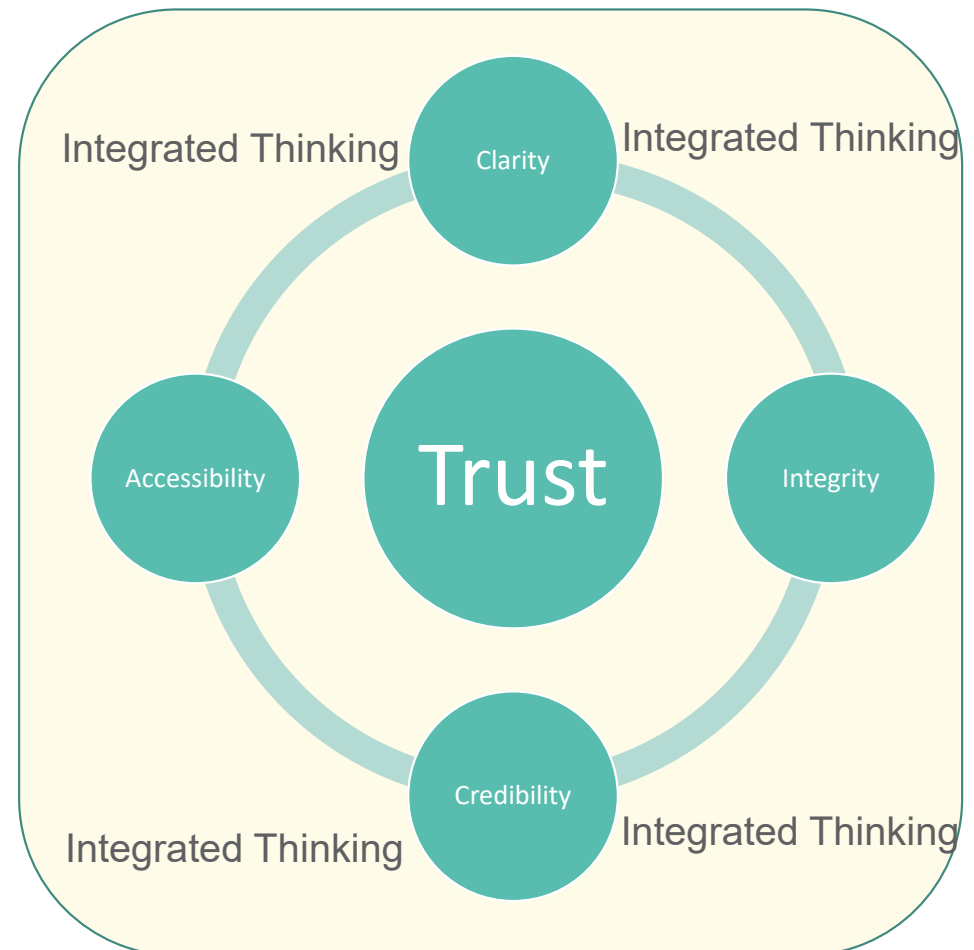
The integrated report when including metrics from applying IFRS Sustainability Standards will provide at least the basis of suitable criteria for independent external assurance under international assurance standards.

An outcome of providing an independently assured integrated report to investors and other stakeholders will be their confidence and trust and an understanding of the quality of the organisation's integrated thinking.



Integrated Reporting in Practice

Built on **Integrated Thinking**, builds, retains or restores investor and other stakeholder **TRUST** through **integrated reports** with **INTEGRITY** (director responsibility), **CLARITY** (concise, comprehensive, insightful), **CREDIBILITY** (independent external assurance) AND **ACCESSIBILITY** (digital)



CLARITY – AGL integrated report uses Integrated Reporting Framework, meets regulatory requirements and contains material financial, sustainability and ‘AGL’ metrics with navigability to SASB and GRI indices through ESG Data Centre



About this report

Report structure

This report is designed to be read in its entirety. The required elements of the Directors' Report, including the Operating and Financial Review (OFR) as required by ASIC Regulatory Guide 247, are covered on pages 8 to 84. Commentary on AGL's financial performance specifically is contained on pages 8 to 50 and references information reported in the Financial Report (pages

Voluntary reporting frameworks

This report has been prepared with reference to the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework. This framework provides a useful basis for disclosing how sustainable value is created for our shareholders and other stakeholders over time. We have used the framework to demonstrate how consideration of risks and opportunities (both those arising from our business and those that exist in a broader operational context), our purpose and our values drive our strategy. We have also considered how the execution of our strategy creates value, applying a lens that is broader than financial performance alone.

The disclosures in this report and the accompanying **ESG Data Centre** are aligned to the Sustainability Accounting Standards Board (SASB) standards for 'Electrical Utilities and Power Generators' and 'Gas Utilities'. A **SASB index** is included in the ESG Data Centre which identifies the extent to which each SASB disclosure requirement has been applied. In addition, we have referenced the GRI Standards in the preparation of this report. The ESG Data Centre includes a **GRI index** that outlines which topic-specific GRI standards have been referenced in our disclosures.

“The ... operating and financial review as required by ASIC’s Regulatory Guide 247 [is set out on] pages 8 to 50 ...”

“This report has been prepared with reference to the ... International Integrated Reporting Framework.”

“AGL follows the guidance provided by the ... TCFD Framework. This year we have not provided a separate TCFD report.” ...

“The disclosures in this report and the accompanying ESG Data Centre are aligned to the SASB Standards for ‘Electrical Utilities and Power Generators’ and ‘Gas Utilities’. In addition, we have referenced the GRI Standards in the preparation of this report.”

(1) Material extracted from AGL’s publicly available information for information purposes



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(*) The IFRS Foundation, the ISSB, the authors and presenters are not affiliated with the companies referred to. These illustrative examples are provided for information only and in no way constitutes any type of advice.

Appendix 4E and 2022 Annual Report (agl.com.au) – 19 August 2022

Possible now - possible structure of an 'integrated report'

An annual 'integrated report'			
Based on fundamental concepts, guiding principles, content elements and other requirements of Integrated Reporting Framework			
Front Half – Business Context		Back Half Performance and Prospects	
Basis of Preparation and Presentation / About This Report		Financial disclosures	
Responsibility Statement by Board of Directors		Sustainability-related disclosures	
Independent Assurance Report		Self-Determined – other business-critical metrics	
Description of The Business: <ul style="list-style-type: none"> • What – External Environment, Risks & Opportunities, Strategy • With – Resources & Relationships – six capitals: intellectual, human, financial, social and relationship, natural, manufactured • How – Business Model ('always material' <i>Key Business Processes</i> including Governance, Strategic Management, Materiality Determination, Stakeholder Management, Reporting, Risk Management • Why – Investment Proposition: Purpose, – 'why our integrated thinking in using our <i>with</i> in our <i>how</i> to achieve our <i>what</i> is better than our competitors for resources and relationships (6 capitals)' 			
* Partial description of <i>The Business</i> achieved by IFRS Sustainability Disclosure Standards– TCFD foundation – description of governance, strategy, risk management, metrics and targets			

The Integrated Report – Ideal Location for S1 / S2 Disclosures



An annual 'integrated report'			
Based on fundamental concepts, guiding principles, content elements and other requirements of Integrated Reporting Framework			
Front Half – Business Context		Back Half Performance and Prospects	
Basis of Preparation and Presentation / About This Report		Financial disclosures	
<ul style="list-style-type: none"> Frameworks and standards selected to describe <i>The Business</i> and select and calculate the metrics and other disclosures 	<ul style="list-style-type: none"> Selection of metrics and other disclosures Integrity of information 	<ul style="list-style-type: none"> Income Financial position 	<ul style="list-style-type: none"> Gearing Cash Flows
Responsibility Statement by Board of Directors		Sustainability-related disclosures	
<ul style="list-style-type: none"> Acknowledgement of responsibility for integrity Conclusion on application of Integrated Reporting Framework 	<ul style="list-style-type: none"> Process – measures taken to ensure integrity of report (para 1.24 disclosures strengthen para 1.20 statements) 	<ul style="list-style-type: none"> Climate 	<ul style="list-style-type: none"> Other sustainability topics (ISSB - S1)
Independent Assurance Report		Self-Determined – other material business-critical metrics	
<ul style="list-style-type: none"> Limited or reasonable, or private internal assurance for board on readiness (people, process, system) Basis of Preparation and Presentation Board Responsibility Statement 	<ul style="list-style-type: none"> Description of <i>The Business</i> Application of frameworks Selection and calculation of metrics and other disclosures Fair application of frameworks, standards and BoPP 	Intangibles and other business-critical metrics not contemplated by ISSB standards: <ul style="list-style-type: none"> Board performance (governance) Executive performance (strategic management) Materiality determination process Stakeholder management – including customer satisfaction, strategic alignment of talent (board, executive and teams), regulators Reporting process (para 1.24 process disclosures) Core business processes – including innovation, intellectual property management, technology 	
Description of The Business			
<ul style="list-style-type: none"> What – Purpose, External Environment, Risks & Opportunities, Strategy With – Resources & Relationships – six capitals: intellectual, human, financial, social and relationship, natural, manufactured How – Business Model ('always material' <i>Key Business Processes</i> including Governance, Strategic Management, Materiality Determination, Stakeholder Management, Reporting, Risk Management) Why – Investment Proposition – 'why our integrated thinking in using our <i>with</i> in our <i>how</i> to achieve our <i>what</i> is better than our competitors for resources and relationships (6 capitals)' 			
*Partial description of <i>The Business</i> achieved by ISSB General Requirements Standard – TCFD foundation – description of governance, strategy, risk management, metrics and targets Ω Will be a substantial overlap between many ISSB and GRI disclosures - incremental GRI disclosures need not detract from conciseness of integrated report. Note reference to SASB industry-based standards in ISSB standards			

Assurance – what is happening?



Financial statement auditing is traditionally the domain of professional accountants – sustainability reporting assurance is also provided by practitioners other than professional accountants

IASB's Sustainability Reporting Assurance Project: ISSA 5000

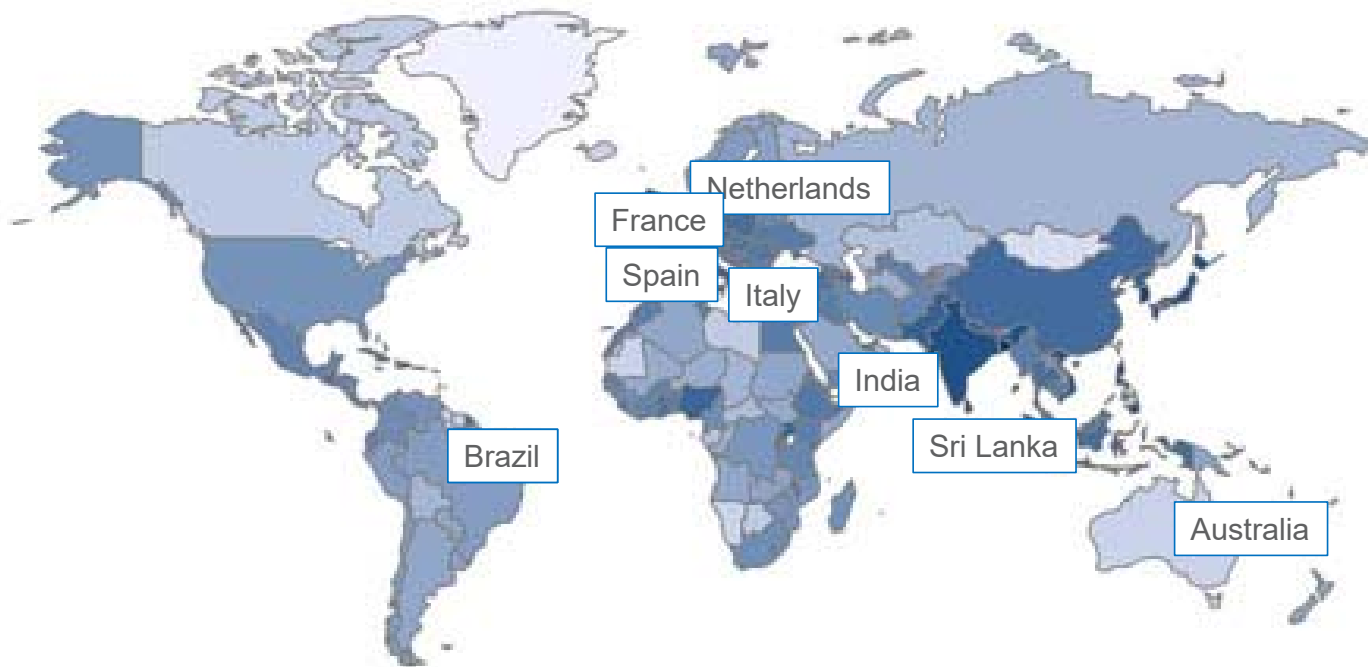
- Framework-neutral, practitioner-agnostic
- Integrated reporting assurance is a form of sustainability reporting assurance
- ISSA 5000 Exposure Draft expected September 2023
- Final standard expected by December 2024

IESBA's Sustainability Reporting Assurance Project

- Framework-neutral, practitioner-agnostic
- Ethics and independence standards
- Process and timelines being aligned with ISSA 5000 project

Integrated reporting assurance is gathering rapid momentum

World Map of Integrated Reporting Assurance



Mandatory:

- Brazil – Securities regulator mandate for over 700 companies
- Spain – CSRD mandate, Option 3
- Italy – CSRD mandate, Option 3
- France

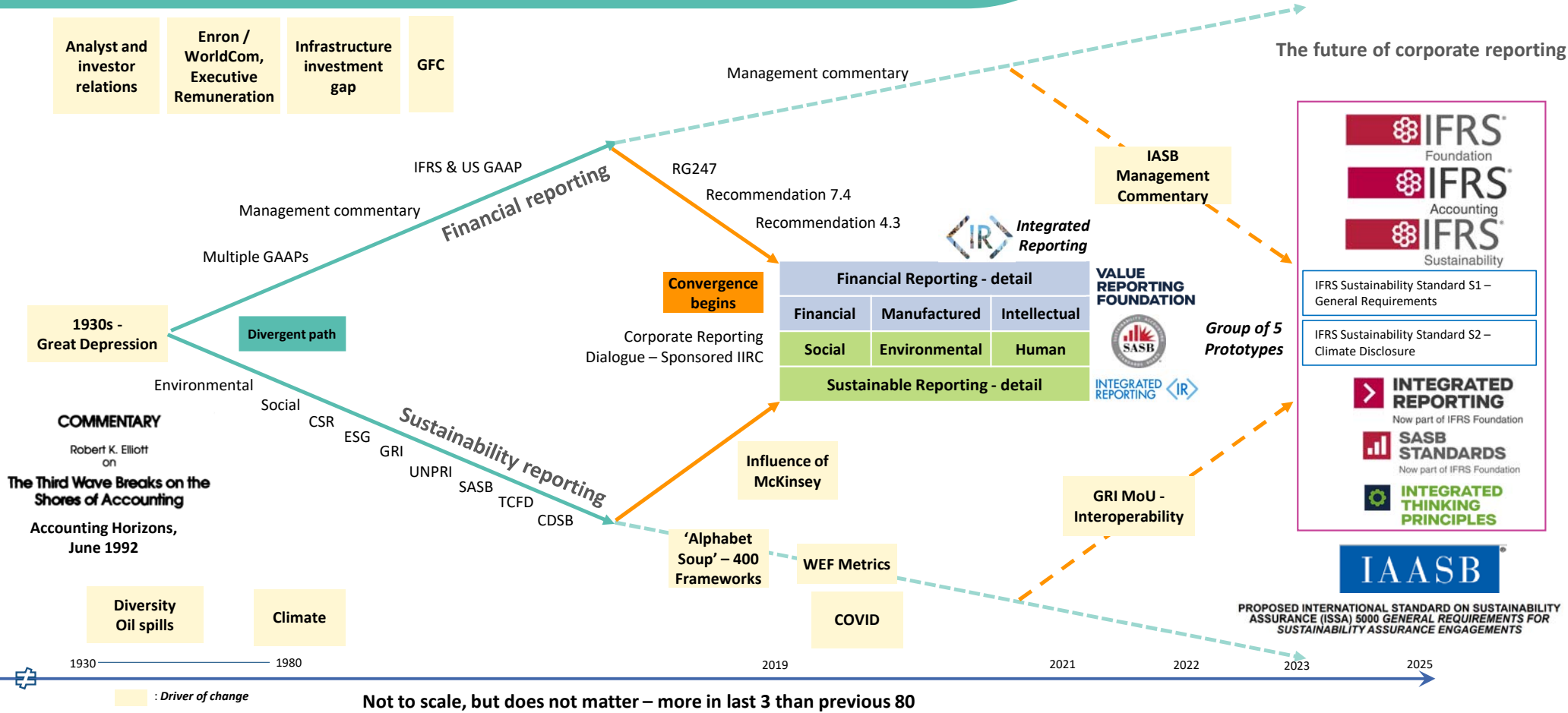
Voluntary

- India – SEBI guidance
- Netherlands (CSRD mandate, Option 2)
- Australia (market practice, supported by CG code)
- Sri Lanka

Global Corporate Reporting System – History, Present and Future – Timeline

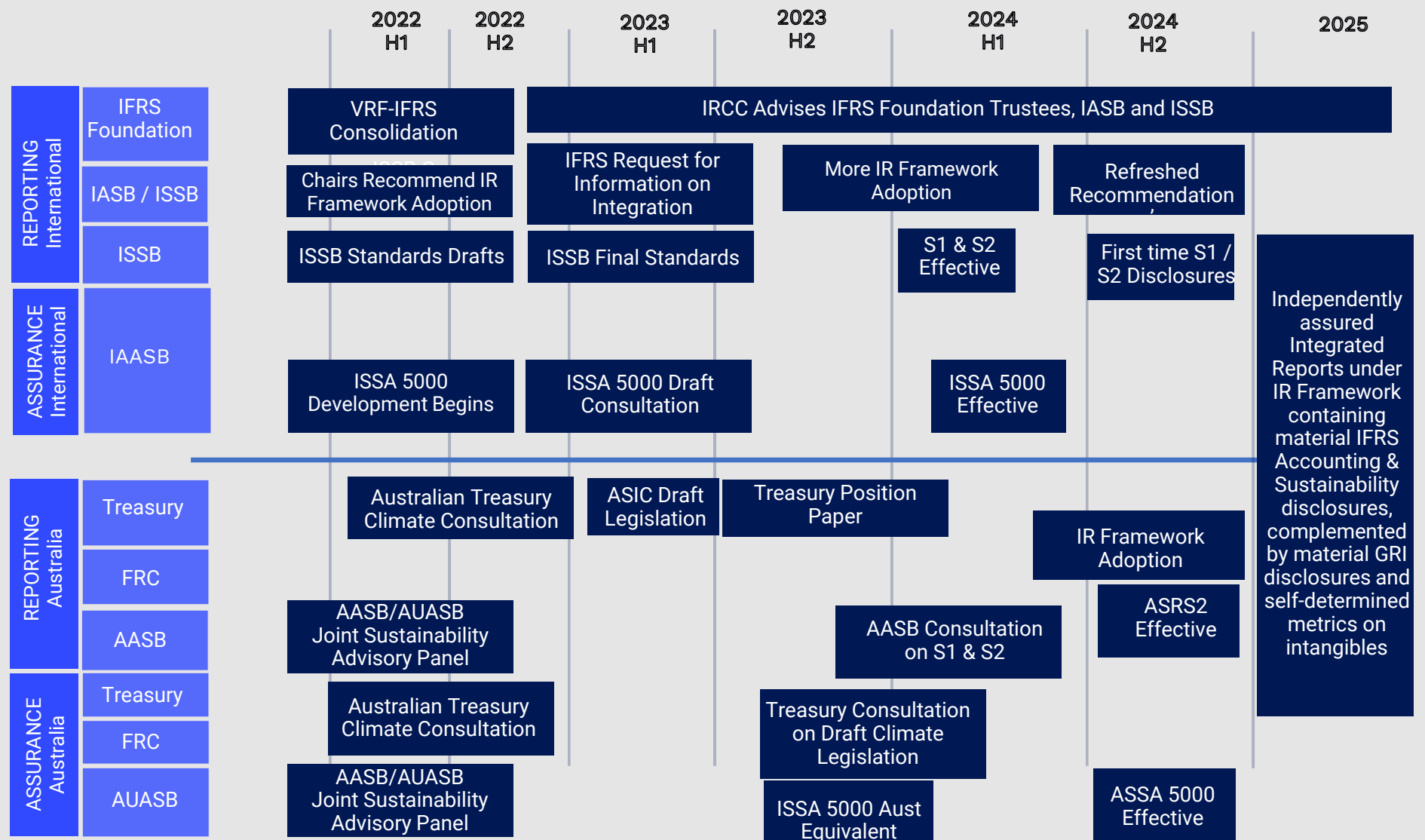


Simplification and Consolidation of the Global Corporate Reporting System



Not to scale, but does not matter – more in last 3 than previous 80

Middle Box Reporting & Assurance Timeline – Global Baseline and Australian Implementation



Thinking about you and your clients

- IFRS Disclosure Standards
in AsPac
- SME sector
- Resources
- Getting started

SME Sector



ISSB:

- No separate SME standard
- Focus on:
 - Scalability / Proportionality
 - Capacity Building Support
- ISSB Knowledge Hub, ACCA guidance
- Is really a question for individual jurisdictions

Australia Case Study

	Who – Any two of + NGER:	When
Group 1	Revenue > A\$500 million	2024-25
	Assets > A\$1 billion	
	Employees > 500	
	All NGER reporters > NGER publication threshold	
Group 2	Revenue > A\$200 million	2026-27
	Assets > A\$500 million	
	Employees > 250	
	All other NGER reporters	
Group 3	Revenue > A\$50 million	2027-28
	Assets > A\$25 million	
	Employees > 100	
Other	Exempt – but could be caught by Group 1-3 value chains	N/A

Proposals currently subject to consultation

IFRS Disclosure Standards in AsPac

Australia – taking a ‘climate first’ approach, first adoption proposed for 2024-25 reporting year

China

- Hong Kong – changes planned for 2024 have been put on hold
- Mainland

India – 1,000 largest listed companies required to publish Business Responsibility and Sustainability Report (BRSR). BRSR will eventually be based on reporting under standards developed by Indian Sustainability Reporting Standards Board. No formal communication by the regulators of adopting IFRS S1 and S2. Mapping likely.

Korea – Korea Sustainability Standards Board commencing consultation in March

Japan - Sustainability Standards Board of Japan commencing consultation on Japanese equivalents to S1 and S2 in March 2024. Targeting finalization March 2025.

Singapore – expected to amend listing rules following a consultation

Thailand – enthusiasm for building consensus to adopt ISSB standards

Indonesia

Malaysia

Middle East

Also:

- Brazil – Incorporating IFRs Sustainability Disclosure Standards into regulatory framework from 2024
- Turkey – Incorporating IFRs Sustainability Disclosure Standards into regulatory framework from 2024, mandatory from 2026



Resources - IFRS Sustainability Knowledge Hub - go to: [IFRS - IFRS Sustainability knowledge hub](#)



Using the Standards

Application support

Knowledge Hub

Partnership Framework for capacity building

Partnership Framework for capacity building

The IFRS Foundation's responsibilities do not stop at standard-setting. The Foundation supports capacity building for effective implementation and adoption of sustainability-related disclosure practices through its Partnership Framework.

The **Partnership Framework** was launched at COP27 in Sharm El-Sheikh with support from around 30 partner organisations. The framework is designed to support preparers, investors and other capital market stakeholders as they prepare to use IFRS Sustainability Disclosure Standards.

Capacity building programme—Progress Report

The progress report provides an overview of progress made between COP27 and COP28 on IFRS



Think Ahead

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- Our qualifications
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- Learning providers
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- Affiliates
- Profes

Supporting the global profession
23 November 2023

Sustainability reporting - the guide to preparation

Supporting the global profession

Written by Sharon Machado, Aaron Saw, Hsiao Mei Chow



Home / Professional Insights

ACCA's guide to preparing for sustainability reporting helps all involved, especially professional accountants, take a leading role enabling better business

Supporting materials for IFRS Sustainability Disclosure Standards

- IFRS SUSTAINABILITY DISCLOSURE STANDARDS
- NEWS

The International Sustainability Standards Board (ISSB) issued its inaugural standards—IFRS S1 and IFRS S2—on 26 June 2023. The Standards have ushered in a new era of sustainability-related financial disclosures in capital markets worldwide.

Click on a Sustainability Disclosure Standard below to see information about all the ISSB's activities and educational material to support application of that Sustainability Disclosure Standard. You will also find a link to the Standard issued. The Standards are also available through the [IFRS Sustainability Standards Navigator](#).



Getting Started



- Take stock of state of preparedness of your firm and its clients – get to know regulatory plans in your jurisdiction for S1 and S2 – map your client base against them
- Think about the best location for S1 / S2 disclosures in your jurisdiction – S1 and S2 are built on the Integrated Reporting Framework - successful integrated reporters will have a head start on adoption of S1 and S2
- Successful integrated reporters normally report that their businesses improved by adopting integrated reporting – the integrated thinking effect
- Work out how your firm can build its own capacity
- Work out a services proposition for your clients – sources:
 - IFRS Foundation Getting Started Guides for Integrated Reporting ([Transition to integrated reporting: A guide to getting started | Integrated Reporting \(ifrs.org\)](#)) and Integrated Thinking ([Integrated thinking | Integrated Reporting \(ifrs.org\)](#))
 - Start with stock take of existing reporting, move to gap analysis, work out a prioritized action plan