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Dear Friends,

In 2022, we reviewed ESG/sustainability reporting requirements of different jurisdictions and predicted a trend for convergence. Fast forward to today, we noted the acceptance of a global baseline for sustainability reporting based on standards issued by the International Sustainability Standards Board (ISSB) building on the recommendations of TCFD.

A brief summary is included in Appendix 1.

In this issue, we will first review the recent developments on ESG/sustainability requirements in Australia.

AA & T Consulting Advisory team

Recent developments on ESG/Sustainability requirements in Australia

September 2024 was an exciting month for sustainability reporting and assurance in Australia. [The Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024 \(the Bill\)](#), which proposes a new mandatory climate disclosure framework for larger entities was passed by both Houses of Parliament. (See App. 2 for the in-scope entities)

On 20 September 2024, [the Australian Accounting Standards Board \(AASB\) approved AASB S1 as a voluntary standard and AASB S2 as a Mandatory Standard](#). Australian Sustainability Reporting Standards AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and AASB S2 *Climate-related Disclosures* generally incorporate the equivalent standards IFRS S1 and IFRS S2, with certain Australian-specific paragraphs modified to the extent necessary in the Australian legal and institutional environment.

On 17 September 2024, the Audit and Accounting Standard Board (AUASB) released an Exposure Draft of a Proposed Australian Standard on Sustainability Assurance [ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001 \(ED 02/24\)](#).

It outlines a proposed timeline for when information in a sustainability report would be subject to audit and/or review. (See App. 3) These proposals will affect preparers, users, auditors, and other stakeholders. The comment period closes on 16 November 2024.

Implications

This will be a game changer in Australia where ESG/sustainability reporting are no longer voluntary for the in-scope entities.

Having said that, setting standards for reporting and related audit/review are only the initial steps in achieving sustainability or carbon zero goals. Preparers and auditors should be prepared for the upcoming challenges and difficulties.

Challenges and difficulties

We have recently reviewed annual reports and ESG/sustainability disclosures of the largest banks in 5 different jurisdictions among the top 10 global banks by assets. We observed that even these top institutions, presumably with sufficient resources for reporting and compliance, still have deviations from their reporting framework including completeness, reliability and comparability of information due to problems in data estimations, data lags, data limitation in merging decarbonisation technologies and transitional challenges among others.

Looking Forward

It is essential for in-scope entities and its board members or those in charge of governance to review their business, operational and reporting processes and determine what are the significant areas that will “reasonably be expected to affect” them (*para. 2 of IFRS S2*) (and what are the areas that are not) and disclose clearly their assessments to discharge their fiduciary duties.

The significant areas to be disclosed should be determined early in the reporting cycle with a clear transition plan, instead of making ad hoc decisions at the time of audit after the year end, which may lead to qualified opinion.

Board members should understand the material ESG/climate risks of their corporate and ensure that senior management has exercised their best effort to “use all reasonable and supportable information that is available to the entity without undue cost or effort” (*para. 37 of IFRS S1*) in disclosing those material risks.

Reference for more information:

1. Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024
https://parlinfo.aph.gov.au/parlInfo/download/legislation/bills/r7176_aspassed/toc_pdf/24042b01_1.pdf;fileType=application%2Fpdf
2. Proposed Australian Standard on Sustainability Assurance - ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001
 - a) The Exposure Draft (or “ED 02/04” in this document)
https://auasb.gov.au/media/54jo41tu/ed02_24_assa_5010_final.pdf
 - b) The website on this proposed standard:
<https://auasb.gov.au/news/feedback-invited-proposed-australian-standard-on-sustainability-assurance-assa-5010-timeline-for-audits-and-reviews-of-information-in-sustainability-reports-under-the-corporations-act-2001/>

3. The Australia Accounting Standards Board (AASB) approves its Australian Sustainability Reporting Standards AASB S1 and S2 on 20 September 2024:
<https://aasb.gov.au/news/australian-sustainability-reporting-standards-approved-by-aasb-board/>
 - a) Australian Sustainability Reporting Standard AASB S1 *General Requirements for Disclosure of Sustainability-related Financial Information [voluntary]*
<https://standards.aasb.gov.au/aasb-s1-sep-2024>
 - b) Australian Sustainability Reporting Standards AASB S2 *Climate-related Disclosures [mandatory]*
<https://standards.aasb.gov.au/aasb-s2-sep-2024>
4. IAASB Approved International Standard on Sustainability Assurance 5000, General Requirements For Sustainability Assurance Engagements (ISSA 5000) on 20 September 2024
<https://www.iaasb.org/focus-areas/understanding-international-standard-sustainability-assurance-5000>
5. The International Sustainability Standards Board (ISSB) issued its inaugural standards, IFRS S1 and IFRS S2, on 23 June 2023:
<https://www.ifrs.org/news-and-events/news/2023/06/issb-issues-ifrs-s1-ifrs-s2/>
 - c) IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*
<https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s1-general-requirements/>
 - d) IFRS S2 *Climate-related Disclosures*
<https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/ifrs-s2-climate-related-disclosures/>

How can AA & T Consulting help?

If you need any help on your ESG journey or clarification on regulatory matters, feel free to contact us by phone (+852 9181 8659 (HK); +61 452 371 753 (Aus.)), or by email advisory@aathk.com

Appendix 1 - Summary of ESG/sustainability reporting requirements

This table summarises recent developments on ESG/sustainability reporting requirements in Australia, China, EU, Hong Kong, Singapore, United States (US) and United Kingdom (UK):

Country/ Region	Regulation/ Framework	Requirements	Effective Date
Australia	Climate-related Financial Disclosure Reporting and Assurance	In September 2024, the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 (the Bill), which proposes a new mandatory climate disclosure framework for larger entities that prepare financial reports under Chapter 2M of the Corporations Act 2001 was passed. AASB also approved its sustainability reporting standards and AUASB issued its exposure draft on sustainability assurance in September 2024.	Start from 2025
China	Beijing, Shanghai and Shenzhen Stock Exchange ESG Guidelines	In April 2024, China's stock exchanges announced Sustainability Reporting Guidelines for listed companies covering larger entities and dual listed entities on areas: governance, strategy, risk management and metrics and targets (i.e. in line with TCFD), effective from sustainability reports issued for the year 2025 on or before April 2026.	April 2026
European Union (EU)	Corporate Sustainability Reporting Directive (CSRD)	On 5 January 2023, the CSRD entered into force. It modernises and strengthens the rules concerning the social and environmental information that companies have to report. Large companies, as well as small or medium listed companies, are or will be required to report on sustainability. Non-EU companies generating over EUR 150 million on the EU market will also have to report.	Effective 2024 to 2026
Hong Kong	HKEX (Hong Kong Stock Exchange) ESG Reporting Guidelines	On 19 April 2024, the HKEX published conclusions to its consultation on the enhancement of climate-related disclosures under its ESG framework. New requirements align more closely with IFRS S2, to be effective from 2025 reporting year in phases. It also publishes Implementation Guidance (with references to IFRS S1) to assist issuers' compliance with the New Climate Requirements.	IFRS S2 disclosure from 2025 reporting year
Singapore	SGX (Singapore Exchange) Sustainability Reporting	Mandatory for listed companies to provide sustainability reports on a 'comply or explain' basis, with TCFD-aligned climate-related disclosures from 2023 and 2024 respectively for those higher risk industries.	TCFD- aligned disclosure by 2024
United Kingdom (UK)	TCFD-aligned Reporting (for premium-listed companies)	In 2021, the UK Government announced the mandatory disclosure of climate-related risks and opportunities based on Taskforce on Climate-related Financial Disclosures (TCFD) recommendations, effective from April 2022 for certain larger listed companies.	April 2022

	Sustainability Disclosure Requirements (SDR)	<p>The UK Government aims to make the UK-endorsed ISSB standards available in Q1 2025. Subject to endorsement by the UK Government after consultation, the Financial Conduct Authority (FCA) will use the UK Sustainability Reporting Standards to introduce requirements for UK-listed companies to report sustainability-related information.</p> <p>In October 2023, the UK Transition Plan Taskforce (TPT) published the voluntary Disclosure Framework to integrate with the approach required by both the UK regulations and FCA rules relating to TCFD disclosures, the ISSB Standards and guidance from the Glasgow Financial Alliance for Net Zero (GFANZ) on transition plans.</p>	Expected in 2024–2025
United States (US)	SEC Climate Disclosure Rule	On 6 March 2024, the US Securities and Exchange Commission (SEC) adopted the final Climate Disclosure Rules requiring disclosures of climate-related risks, greenhouse gas emissions and other related processes and information. The final rule scaled back many items required by the proposed rules issued in March 2022, including Scope 3 emission disclosure.	Effective later in 2024 (i.e. 60 days after published in the Federal Register)

Reference:

1. China:
 - a) Brief by Clifford Chance (in English)

https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2024/07/China%20Issues%20Guidelines%20on%20Corporate%20Sustainability%20Reporting_Eng.pdf
 - b) Announcements by: (in Chinese)
 - Beijing Stock Exchange

https://www.bse.cn/important_news/200021376.html
 - Shanghai Stock Exchange

https://www.sse.com.cn/lawandrules/sselawsrules/stocks/mainipo/c/c_20240412_5737862.shtml
 - Shenzhen Stock Exchange

http://www.szse.cn/lawrules/rule/stock/supervision/currency/t20240412_606839.html
2. EU webpage on CSRD

https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en
3. Hong Kong, China
 - a) HKEX's Conclusions on Climate Disclosure Requirements Consultation

https://www.hkex.com.hk/News/Regulatory-Announcements/2024/240419news?sc_lang=en;
 - b) Implementation Guidance for Climate Disclosures under HKEX ESG reporting framework

https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance_enhanced_climate_dis.pdf
4. Singapore: SGX Practice Note 7.6 on Sustainability Reporting

<https://rulebook.sgx.com/node/6532/revisions/26630/view>
5. UK
 - a) UK Government's announcement on mandatory climate disclosure

<https://www.gov.uk/government/news/uk-to-enshrine-mandatory-climate-disclosures-for-largest-companies-in-law>
 - b) UK Sustainability Disclosure Requirements implementation update 2024

<https://www.gov.uk/government/publications/sustainability-disclosure-requirements-implementation-update-2024>
6. US: SEC Final Rules to Enhance and Standardize Climate-Related Disclosures for Investors

<https://www.sec.gov/newsroom/press-releases/2024-31>

Appendix 2 In-scope entities for sustainability reporting in Australia

In-scope entities are companies required to lodge financial reports under Chapter 2M of the Corporations Act 2001 that satisfy the following categories:

Reporting periods <i>(Note)</i>	Meet two of three reporting thresholds below:		
	Consolidated gross revenue <i>(for the year)</i>	Consolidated assets <i>(at year end)</i>	Employees <i>(at year end)</i>
Group 1 First reporting period beginning on or after 1 January 2025	\$500 million or more	\$1 billion or more	> 500
Group 2 First reporting period beginning on or after 1 July 2026	\$200 million or more	\$500 million or more	> 250
Group 3 First reporting period beginning on or after 1 July 2027	\$50 million or more	\$25 million or more	> 100

(Note: National Greenhouse and Energy Reporting (NGER) Reporters and some asset owners (like registered schemes or registrable superannuation entities) are also required to report their sustainability information, which may have different deadlines.)

Appendix 3 Audit / Review proposed timeline under ED 02/24

Assurance Phasing of different sustainability information areas:

Reporting period / Area	1st*	2nd	3rd	4th	5th	6th**
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and Opportunities	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate Resilience Assessments / Scenario Analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition Plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk Management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 Emissions	Limited	Reasonable	Reasonable	Reasonable	Reasonable	Reasonable
Scope 3 Emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related Metrics and Targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

* Group 1 – Years commencing 1 January 2025. Group 2 – Years commencing 1 July 2026. Group 3 – Years commencing 1 July 2027.

** Group 3 is to be subject to reasonable assurance across all disclosures by years commencing 1 July 2030.

Note: The information contained this document is general in nature and is not intended to address any particular circumstances of individuals or entities. Although we endeavor to provide accurate and timely information, there is 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 upon such information without appropriate professional advice after a thorough examination of the particular situation.