
The New IFRS S2 Climate- related Disclosures

Aletta Boshoff & Dean Ardern

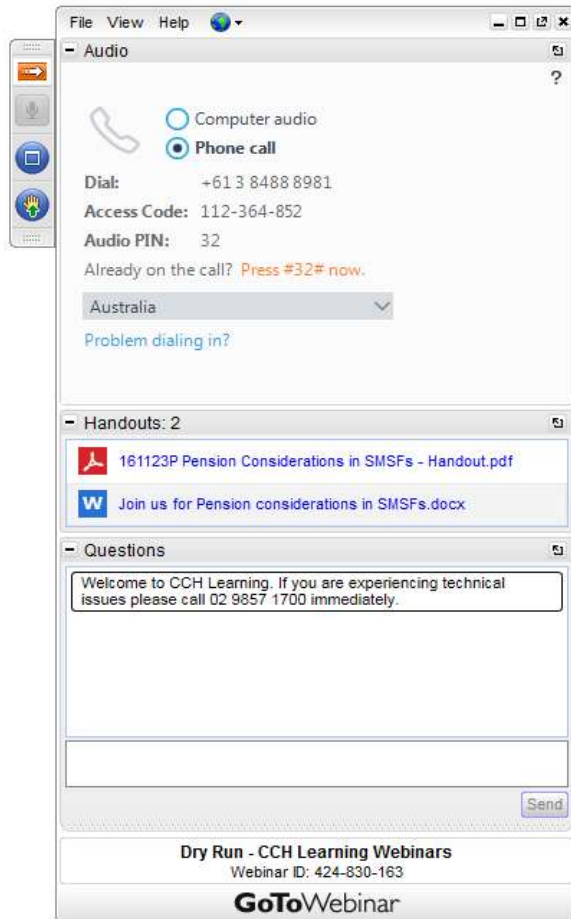
Thursday 11 May 2023

 Wolters Kluwer

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- [Sound Problems?](#) Toggle between Audio and Phone
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Susannah Gynter
Moderator

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Your Presenters



- Aletta Boshoff
- Partner & National Leader, IFRS & Corporate Reporting, ESG & Sustainability



- Dean Ardern
- Director IFRS & Corporate Reporting



ACKNOWLEDGEMENT OF COUNTRY

We would like to begin by acknowledging the Traditional Owners of the land on which we meet today, and pay our respects to Elders past, present, and emerging

We extend that respect to Aboriginal and Torres Strait Islander peoples here today



TODAY'S AGENDA

- ▶ Latest developments
- ▶ Connectivity - what is it and what does it deliver?
- ▶ Overview of Proposed IFRS S2
- ▶ Governance
- ▶ Strategy
- ▶ Risk Management
- ▶ Targets and Metrics
- ▶ Getting Ready for IFRS S2
- ▶ Next Steps

A photograph of a woman with grey hair and glasses, smiling and talking on a mobile phone. She is wearing a grey blazer and a green scarf. The background is a blurred office interior. A white banner with red text is overlaid on the left side of the image.

LATEST DEVELOPMENTS



LATEST DEVELOPMENTS

<https://www.ifrs.org/news-and-events/news/2023/04/issb-decides-to-prioritise-climate-related-disclosures-to-support-initial-application/>

▶ **4 April 2023**

- ISSB to provide transitional relief re IFRS S1
- Mandatory implementation deferred by 1 year
- Start with only IFRS S2, and IFRS S2 includes transitional relief too

The full package of reliefs means, for the first year they use the ISSB Standards, companies need not:

- provide disclosures about sustainability-related risks and opportunities beyond climate-related information;
- provide annual sustainability-related disclosures at the same time as the related financial statements;
- provide comparative information;
- disclose Scope 3 greenhouse gas emissions; and
- use the Green House Gas Protocol to measure emissions, if they are currently using a different approach.



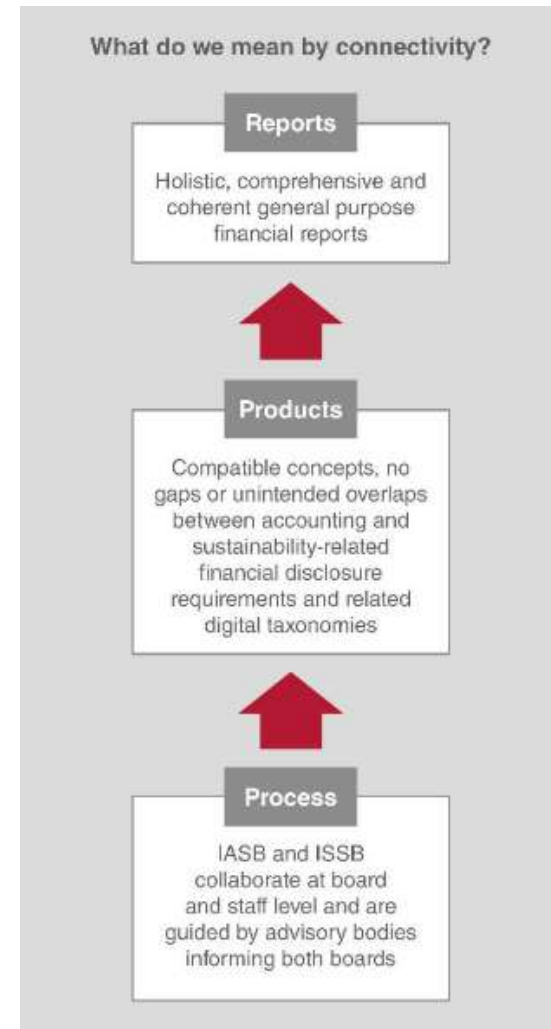
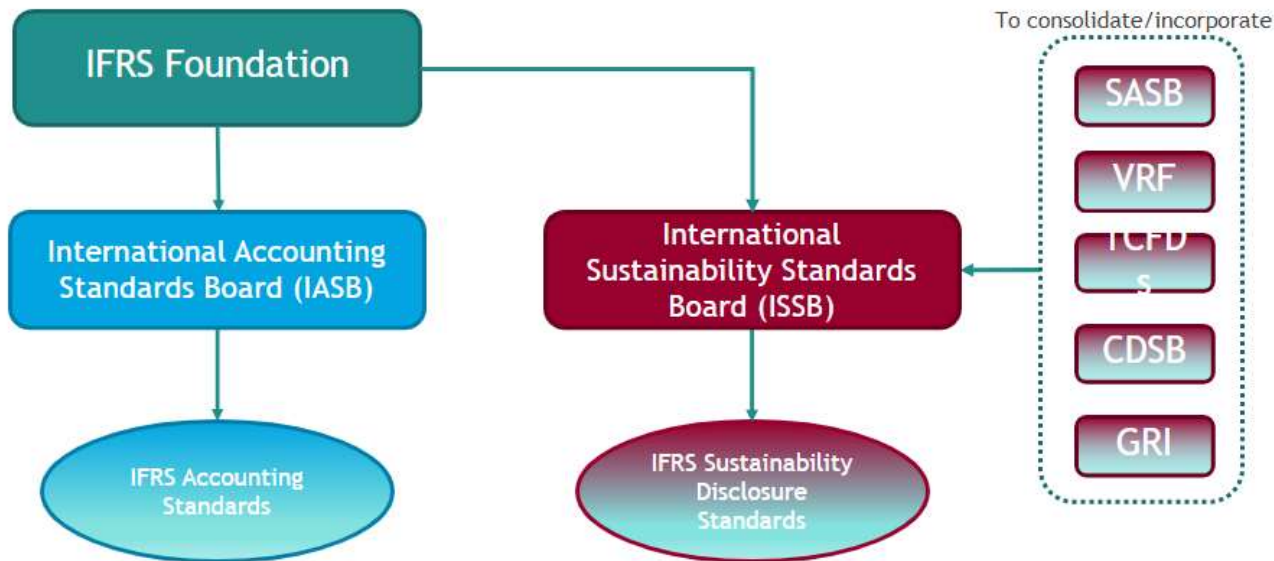
CONNECTIVITY - WHAT IS IT AND WHAT DOES IT DELIVER?

OVERVIEW OF PROPOSED IFRS S2

- ▶ General purpose financial reports include financial statements and sustainability-related financial disclosures
- ▶ The objective of general purpose financial reports is to inform investors' investment decisions. Other stakeholders may also find this information useful
- ▶ General purpose financial reporting requirements may be interoperable with other sustainability reporting requirements aimed at meeting the information needs of broader stakeholders
- ▶ Together, general purpose financial reports and sustainability reports aimed at broader stakeholders are referred to as corporate reports



CONNECTIVITY - WHAT IS IT AND WHAT DOES IT DELIVER?





CONNECTIVITY IN REPORTS

The ultimate outcome of connectivity is holistic, comprehensive and coherent general purpose financial reports

- ▶ Investors are the primary audience for general purpose financial reports, which include sustainability-related financial disclosures and financial statements
- ▶ Sustainability-related financial disclosures and financial statements complement each other
 - For example, sustainability-related financial disclosures may explain the sustainability-related risks and opportunities arising from an entity's activities and its assets and liabilities.
- ▶ Such disclosures may also provide early indications of matters that will subsequently be reflected in financial statements.
 - For example, a company's commitment to net zero emissions could, over time, result in liabilities being reported in the financial statements.

CONNECTIVITY IN REPORTS

The ultimate outcome of connectivity is holistic, comprehensive and coherent general purpose financial reports

- ▶ Investors need general purpose financial reports to give them a **holistic, comprehensive and coherent picture** of a company. They want to understand how matters reported in financial statements and in sustainability-related financial disclosures are connected
- ▶ The solution ... holistic communication





CONNECTIVITY IN PRODUCT

- ▶ To achieve connectivity in reports, IASB & ISSB need connectivity in their products (i.e. Standards and digital taxonomies that facilitate digital reporting)
- ▶ Connectivity in IASB & ISSB important to companies
 - The same people within a company prepare both the financial statements and sustainability-related financial disclosures
- ▶ Consistent language in IFRS Accounting Standards and IFRS Sustainability Disclosure Standards to facilitate requirements working well in combination
 - Compatibility of concepts
 - No gaps or unintended overlaps between IASB and ISSB Standards and digital taxonomies



CONNECTIVITY IN PRODUCT

- ▶ Some first tangible connectivity in IASB & ISSB products
 - Many concepts and terms in IASB Standards that are used in the ISSB's first two Standards, S1 and S2
 - Requirement in S1 for sustainability-related financial disclosures to be provided with the financial statements, as part of a company's general purpose financial report
 - Requirements in S1 and S2 for companies to explain how sustainability-related risks and opportunities (and climate-related risks and opportunities) are reflected in the financial statements and to use assumptions consistent with the financial statements when applicable
 - the [IASB's new project on Climate-related Risks in the Financial Statements](#), which will use learnings from the ISSB's work on S1 and S2



CONNECTIVITY IN PROCESS

- ▶ Established practices to facilitate knowledge sharing and coordination between the IASB and the ISSB
 - For example, the boards and staff regularly update each other on their activities during and between public board meetings
 - Identify and address common issues
 - Identify opportunities to use common language and concepts
 - Inclusion of staff of one board working on projects of the other board when relevant
- ▶ While there will be instances when it will be appropriate for the boards to consider technical issues together, to date no joint board discussions



OVERVIEW OF PROPOSED IFRS S2

IDEAS | PEOPLE | TRUST

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PUBLISHED DOCUMENTS

Exposure Draft IFRS S2 Climate-related Disclosures

Illustrative Guidance on Exposure Draft IFRS S2 Climate-related Disclosures

Basis for Conclusions on Exposure Draft IFRS S2 Climate-related Disclosures

Appendix B—Industry-based disclosure requirements



OVERVIEW OF PROPOSED IFRS S2

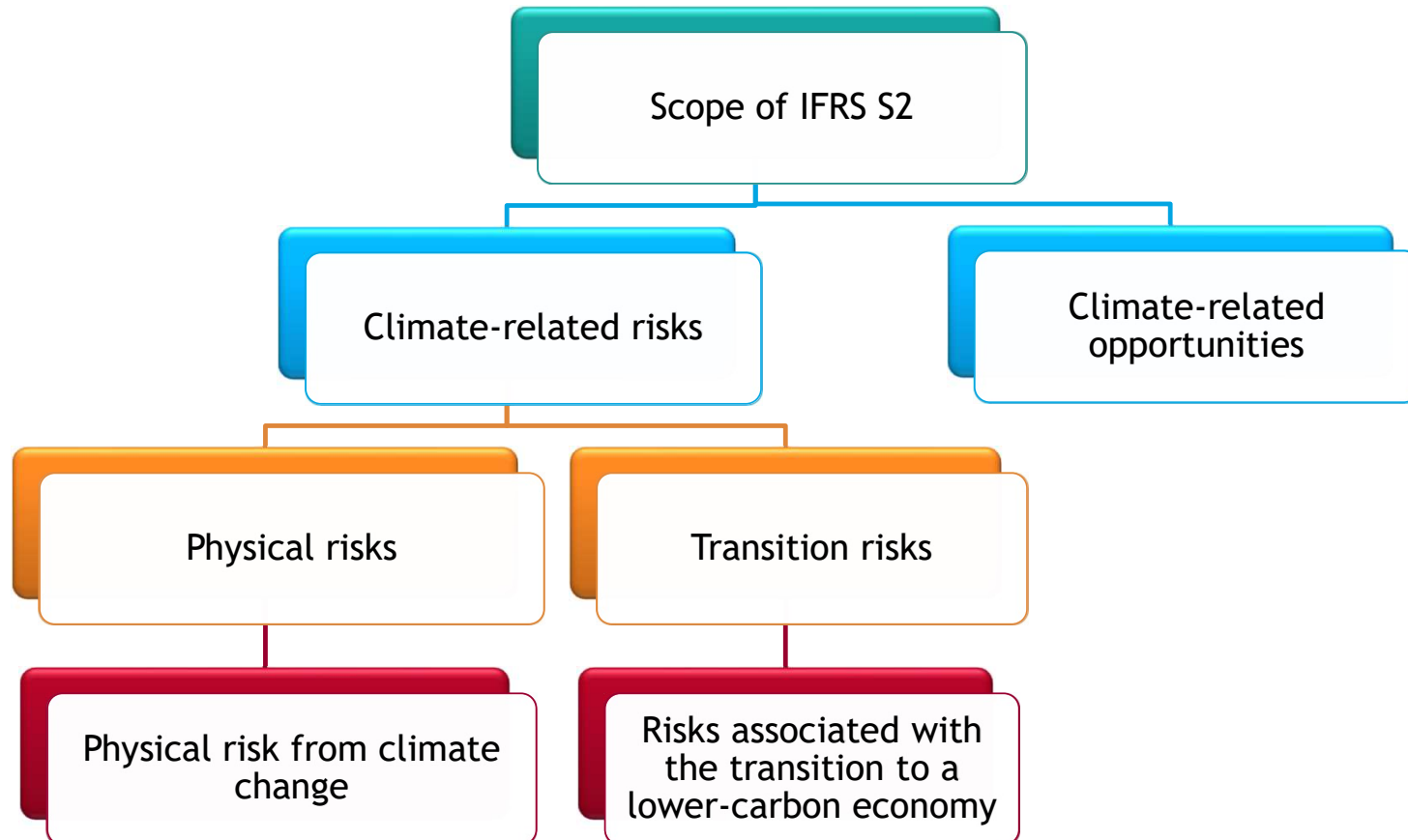
- ▶ The Proposed IFRS S2 proposes requiring a company to disclose information that would enable an **investor** to assess the effect of climate-related risks and opportunities on its enterprise value



OBJECTIVE OF IFRS S2

- ▶ Require an entity to disclose information about its exposure to significant climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:
 - to assess the effects of significant climate-related risks and opportunities on the entity's **enterprise value**
 - to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's **response to and strategy for** managing its significant climate-related risks and opportunities
 - to evaluate the entity's **ability to adapt its planning, business model and operations** to significant climate-related risks and opportunities

SCOPE OF IFRS S2



OVERVIEW OF PROPOSED IFRS S2

- ▶ The proposed IFRS S2 uses the **same approach as the proposed IFRS S1 and the TCFD Recommendations**, so it would require a company to centre its disclosures on the consideration of:

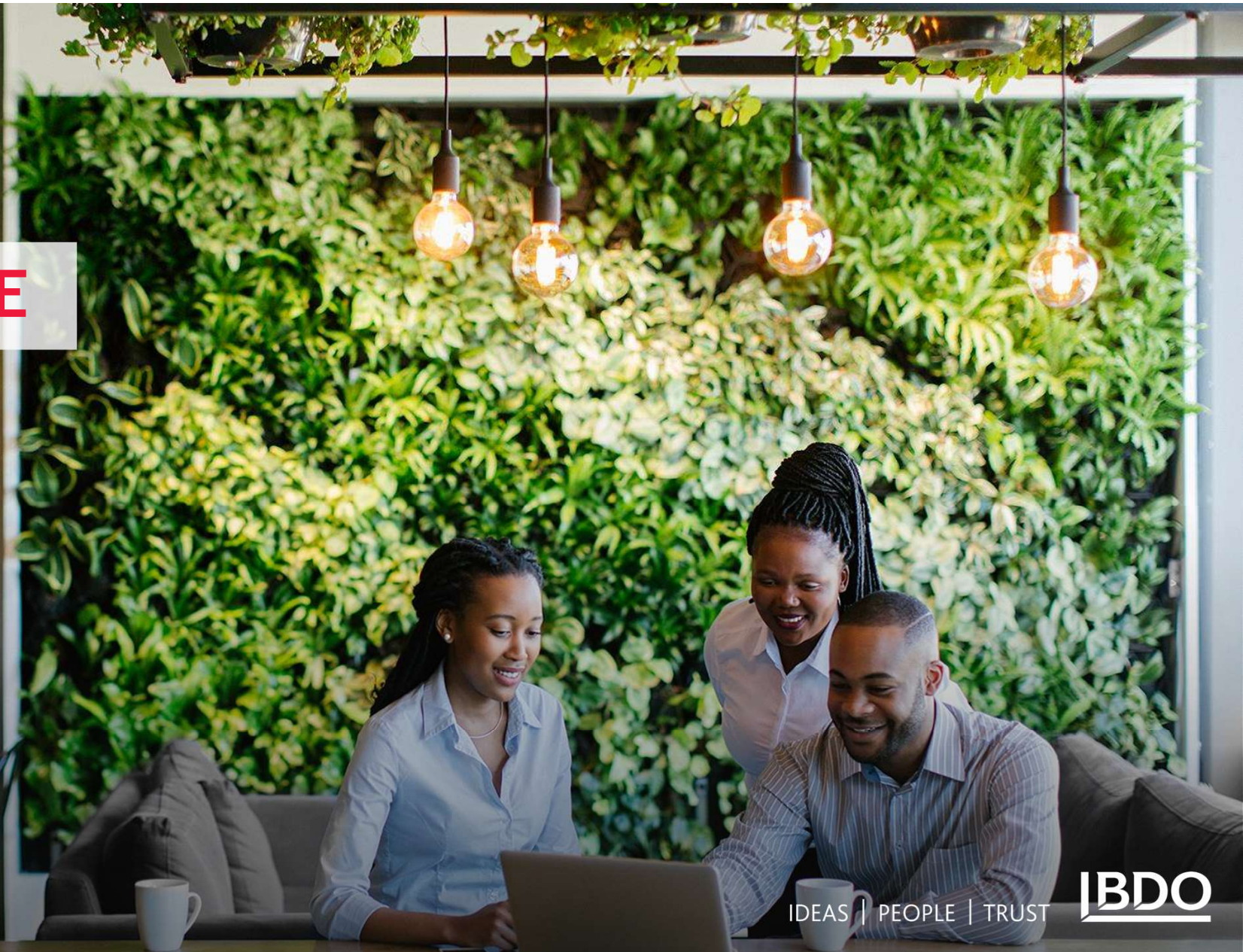
- the governance,
- strategy
- risk management of its business, and
- the metrics and targets



it uses to measure, monitor and manage its **significant climate-related risks and opportunities**

- ▶ The proposed Standard includes a requirement for companies to disclose information about climate-related physical and transition risks and opportunities.

GOVERNANCE





GOVERNANCE

- ▶ Disclosure of information about the **governance processes, controls and procedures** the company uses to monitor and manage climate-related risks and opportunities
- ▶ The company would be required to disclose a **description of the governance body**, such as a board or committee, with oversight of climate-related risks and opportunities:
 - What are the terms of reference for the company's climate-monitoring governance body?
 - What is management's role in assessing and managing climate-related risks and opportunities?
 - How does the company ensure that it has people with the right skills and competencies available to oversee its strategies?



GOVERNANCE

- ▶ The proposed IFRS S1 emphasises that companies are required to provide information that enables investors to **assess the connections between various sustainability-related risks and opportunities**, including the specific risks and opportunities set out in the proposed IFRS S2
- ▶ When a company **integrates its oversight of sustainability-related risks and opportunities**, the company should also integrate its disclosures on governance rather than providing separate governance disclosures for each significant sustainability-related risk and opportunity

A modern office lounge with a living wall and people working. The scene is bright and airy, with a large living wall of green plants on the left. Several people are engaged in work activities: some are seated at tables, some are standing and talking, and one is holding a tablet. The furniture is contemporary, with dark wood tables and blue upholstered seating. The overall atmosphere is professional and collaborative.

STRATEGY

IDEAS | PEOPLE | TRUST

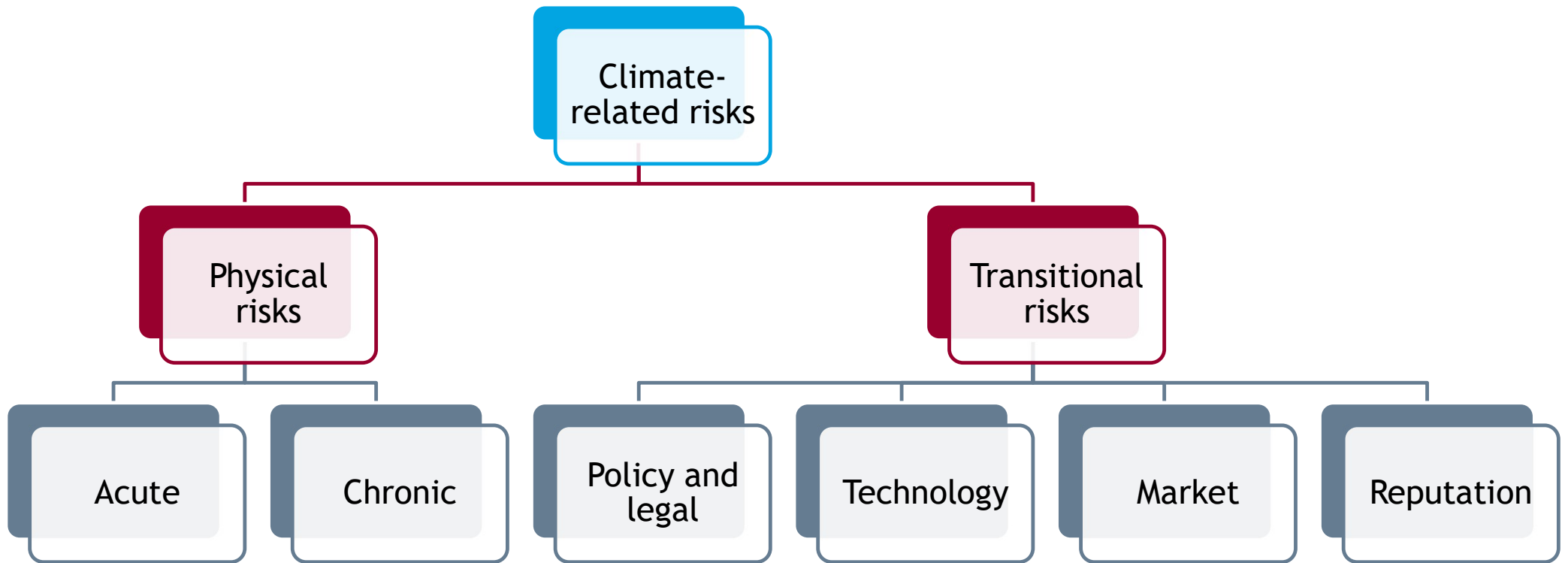
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STRATEGY

- ▶ The proposed Standard would require companies to disclose information about how climate change could reasonably be expected to affect their **business model, strategy and cash flows** over the **short, medium or long term**, their **access to finance and their cost of capital**
 - For example, continuing to operate a particular line of the company's business might be harmful to its reputation and could limit its ability to access financing

CLIMATE-RELATED RISKS





PHYSICAL RISKS

- ▶ **Acute physical risks** could include the increased severity of extreme weather events such as cyclones and floods, putting a company's assets at risk or disrupting its supply chain (such as disruption to a just-in-time delivery process)
- ▶ **Chronic physical risks** include rising sea levels or rising mean temperatures. These changes in the climate could affect a company's strategy, for example, it may need to consider moving its production facilities.



TRANSITION RISKS

- ▶ Risks associated with a company's transition to a lower-carbon economy
- ▶ Transition risk includes policy or legal, market, technology and reputation
 - Market risk is reduced demand for high-carbon-based products
 - Legal risk is regulatory action banning the sale of a company's products—gas water heaters or diesel vehicles.
 - Technology risk or opportunity could be lower-emission substitutes for diesel vehicles
 - Reputation risk around brand damage



STRATEGY AND DECISION-MAKING

- ▶ A company would be required to disclose a description of its plans for responding to climate-related transition risks and opportunities, such as:
 - how it plans to achieve any climate-related targets, including how these plans will be resourced and how it will review targets.
 - how it expects to adapt or mitigate climate-related risks (for example, through changes in production processes, workforce adjustments, changes in materials used, product specifications or through introduction of efficiency measures).
 - how it expects to adapt or mitigate indirect climate-related risks in its value chain (for example, by working with customers and supply chains or use of procurement).
 - whether carbon-offsetting is part of its plan. If it is, a company would be required to disclose specific information to enable an investor to assess the offset schemes.
- ▶ Some companies use carbon prices to internalise the cost of emissions when they make capital expenditure decisions
- ▶ Proposed IFRS S2 require a company to explain how it applies carbon pricing, and disclose the price it uses for each metric tonne of GHG emissions



FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS

- ▶ A company would be required to include in its disclosures an explanation of how significant climate-related risks and opportunities have affected its most recently reported financial position, financial performance and cash flows
 - The company might disclose a material asset impairment as a consequence of the company's strategy for managing a transition risk
 - The company could be investing in new technologies to take advantage of a climate-related opportunity



FINANCIAL POSITION, FINANCIAL PERFORMANCE AND CASH FLOWS

- ▶ A company would also be required to explain how it expects its financial position to change over time given its strategy to address significant climate-related risks and opportunities.
 - Financial accounting consequences of increased revenue from, or costs of, products and services aligned with a lower-carbon economy
 - Physical damage to assets from climate events
 - Costs of climate adaptation or mitigation
- ▶ When providing quantitative information, companies are permitted to disclose single amounts or ranges of amounts



CLIMATE RESILIENCE

- ▶ Disclose information such as whether it can continue to **use its assets and investments** the way it has been doing or whether a climate-related risk, such as an increased flooding risk, is likely to cause the company to relocate, decommission or upgrade assets
- ▶ Disclose whether it has **sufficient finance** available to withstand the climate-related risks and to take advantage of climate-related opportunities
- ▶ Proposed IFRS S2 requires a company to use climate-related **scenario analysis** to assess its risks and opportunities when it is able to, but it also addresses other quantitative methods
- ▶ Proposed IFRS S2 requires the company to disclose how its **climate-related analysis** aligns with the latest international agreement on climate change—for example, the Paris Agreement, which sets a goal of limiting the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees



RISK MANAGEMENT



RISK MANAGEMENT

- ▶ The risk management disclosures follow the **structure of the proposed IFRS S1**
- ▶ The proposed IFRS S2 proposes requiring information about the **processes** a company is using to manage climate-related risks and opportunities
- ▶ A company would be required to explain the extent to which and how processes to identify, assess and manage climate-related risks and opportunities are **integrated into the company's overall risk management process**
- ▶ It would also be required to disclose how it **prioritises climate-related risks relative to other types of risk**, including its use of risk assessment tools (such as science-based risk assessment tools)



TARGETS AND METRICS



TARGETS AND METRICS

- ▶ A company would be required to disclose the metrics and targets it uses to manage its significant climate-related risks and opportunities

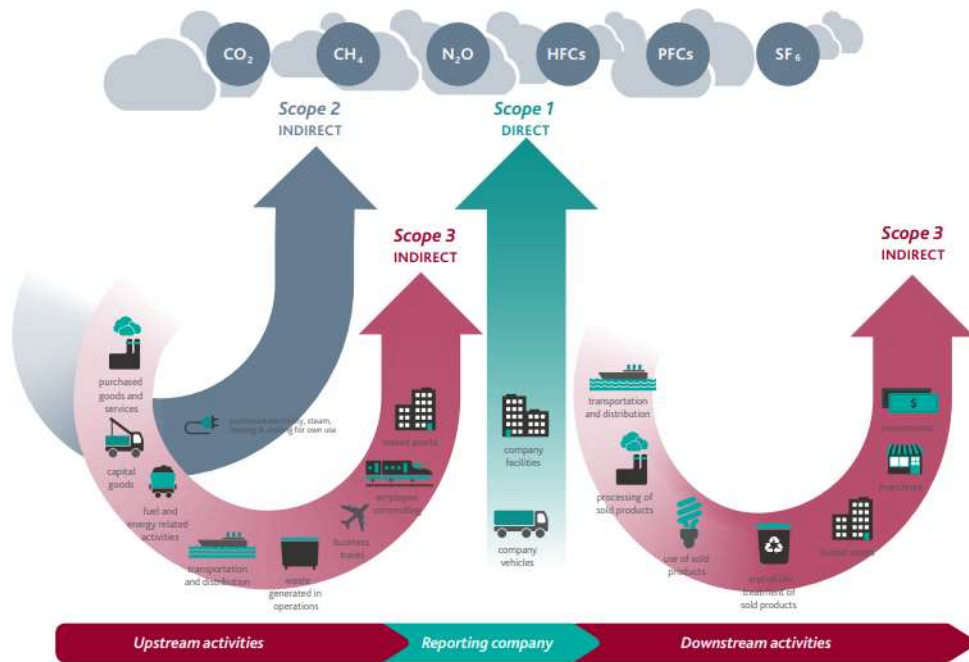




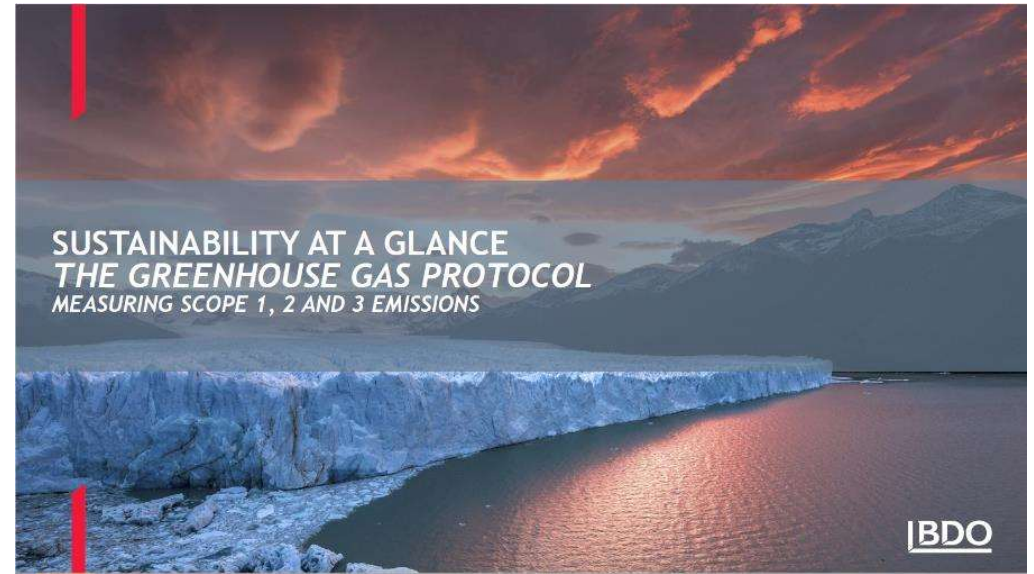
GHG EMISSIONS

- ▶ Disclosure of absolute gross **Scope 1, Scope 2 and Scope 3 GHG emissions**, in metric tonnes of CO2 equivalent, and the intensity of those emissions
- ▶ The company would be permitted to calculate these emissions using the **GHG Protocol**
- ▶ A consolidated group would be required to disclose GHG emissions by associates and joint ventures separately from those by the consolidated group
- ▶ Transitional relief re **Scope 3 emissions**
 - Importance of providing information related to the value chain

GHG EMISSIONS



Source: Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard





INDUSTRY-BASED DISCLOSURES

- ▶ The proposed IFRS S2 includes industry-based disclosure requirements
- ▶ A company would identify the requirements applicable to its business model and associated activities
- ▶ Disclosure topics included in the requirements relate to climate-related risks or opportunities for each industry group and a set of metrics is associated with each disclosure topic
- ▶ The disclosure topics represent the climate-related risks and opportunities most likely to be significant to companies in that industry, and the associated metrics that are most likely to result in the disclosure of information relevant to an assessment of enterprise value



INDUSTRY-BASED DISCLOSURES

- ▶ The proposed IFRS S2 includes 77 industry classifications across 11 sectors
- ▶ The related disclosure requirements are derived from SASB Standards
- ▶ This information has been identified as relevant to an assessment of the enterprise value of companies in that industry
- ▶ The industry classifications are intended to be useful for companies and investors by identifying relevant disclosures
- ▶ The industry-based topics and associated metrics have been included in Appendix B of the proposed Standard
- ▶ A company can view all of the topics and metrics, or just those for a specific industry
- ▶ There are 68 industry-based sets of disclosure requirements in separate volumes
- ▶ The remaining nine industry classifications do not have climate-related disclosure topics

INDUSTRY-BASED DISCLOSURES

<https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/issb-exposure-draft-2022-2-appendix-b.pdf>

Table 1–Volumes B1–B68: Industry-based requirements

SICS® sector and industry	Volume
Consumer Goods	
Apparel, Accessories & Footwear	B1 (CG-AA)
Appliance Manufacturing	B2 (CG-AM)
Building Products & Furnishings	B3 (CG-BF)
E-Commerce	B4 (CG-EC)
Household & Personal Products	B5 (CG-HP)
Multiline and Specialty Retailers & Distributors	B6 (CG-MR)
Toys & Sporting Goods	

SICS® sector and industry	Volume
Extractives & Minerals Processing	
Coal Operations	B7 (EM-CO)
Construction Materials	B8 (EM-CM)
Iron & Steel Producers	B9 (EM-IS)
Metals & Mining	B10 (EM-MM)
Oil & Gas–Exploration & Production	B11 (EM-EP)
Oil & Gas–Midstream	B12 (EM-MD)
Oil & Gas–Refining & Marketing	B13 (EM-RM)
Oil & Gas–Services	B14 (EM-SV)
Financials	
Asset Management & Custody Activities	B15 (FN-AC)
Commercial Banks	B16 (FN-CB)
Consumer Finance	
Insurance	B17 (FN-IN)
Investment Banking & Brokerage	B18 (FN-IB)
Mortgage Finance	B19 (FN-MF)
Security & Commodity Exchanges	

Food & Beverage	
Agricultural Products	B20 (FB-AG)
Alcoholic Beverages	B21 (FB-AB)
Food Retailers & Distributors	B22 (FB-FR)
Meat, Poultry & Dairy	B23 (FB-MP)
Non-Alcoholic Beverages	B24 (FB-NB)
Processed Foods	B25 (FB-PF)
Restaurants	B26 (FB-RN)
Tobacco	
Health Care	
Biotechnology & Pharmaceuticals	
Drug Retailers	B27 (HC-DR)
Health Care Delivery	B28 (HC-DY)
Health Care Distributors	B29 (HC-DI)
Managed Care	B30 (HC-MC)
Medical Equipment & Supplies	B31 (HC-MS)

INDUSTRY-BASED DISCLOSURES

<https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/issb-exposure-draft-2022-2-appendix-b.pdf>

SICS® sector and industry	Volume
Infrastructure	
Electric Utilities & Power Generators	B32 (IF-EU)
Engineering & Construction Services	B33 (IF-EN)
Gas Utilities & Distributors	B34 (IF-GU)
Home Builders	B35 (IF-HB)
Real Estate	B36 (IF-RE)
Real Estate Services	B37 (IF-RS)
Waste Management	B38 (IF-WM)
Water Utilities & Services	B39 (IF-WU)
Renewable Resources & Alternative Energy	
Biofuels	B40 (RR-BI)
Forestry Management	B41 (RR-FM)
Fuel Cells & Industrial Batteries	B42 (RR-FC)
Pulp & Paper Products	B43 (RR-PP)
Solar Technology & Project Developers	B44 (RR-ST)
Wind Technology & Project Developers	B45 (RR-WT)

Resource Transformation	
Aerospace & Defense	B46 (RT-AE)
Chemicals	B47 (RT-CH)
Containers & Packaging	B48 (RT-CP)
Electrical & Electronic Equipment	B49 (RT-EE)
Industrial Machinery & Goods	B50 (RT-IG)
Services	
Advertising & Marketing	
Casinos & Gaming	B51 (SV-CA)
Education	
Hotels & Lodging	B52 (SV-HL)
Leisure Facilities	B53 (SV-LF)
Media & Entertainment	
Professional & Commercial Services	

SICS® sector and industry	Volume
Technology & Communications	
Electronic Manufacturing Services & Original Design Manufacturing	B54 (TC-ES)
Hardware	B55 (TC-HW)
Internet Media & Services	B56 (TC-IM)
Semiconductors	B57 (TC-SC)
Software & IT Services	B58 (TC-SI)
Telecommunication Services	B59 (TC-TL)
Transportation	
Air Freight & Logistics	B60 (TR-AF)
Airlines	B61 (TR-AL)
Auto Parts	B62 (TR-AP)
Automobiles	B63 (TR-AU)
Car Rental & Leasing	B64 (TR-CR)
Cruise Lines	B65 (TR-CL)
Marine Transportation	B66 (TR-MT)
Rail Transportation	B67 (TR-RA)
Road Transportation	B68 (TR-RO)



INDUSTRY-BASED METRICS - EXAMPLE

Software and IT Services

Industry Description

The Software & Information Technology (IT) Services industry offers products and services globally to retail, business, and government customers, and includes companies involved in the development and sales of applications software, infrastructure software, and middleware. The industry is generally competitive, but with dominant players in some segments. While relatively immature, the industry is characterized by high-growth companies that place a heavy emphasis on innovation and depend on human and intellectual capital. The industry also includes IT services companies delivering specialized IT functions, such as consulting and outsourced services. New industry business models include cloud computing, software as a service, virtualization, machine-to-machine communication, big data analysis, and machine learning. Additionally, brand value is key for companies in the industry to scale and achieve network effects, whereby wide adoption of a particular software product leads to self-perpetuating growth in sales.

INDUSTRY-BASED METRICS - EXAMPLE

Software and IT Services

Sustainability Disclosure Topics & Metrics

Table 1. Sustainability Disclosure Topics & Metrics

TOPIC	ACCOUNTING METRIC	CATEGORY	CODE
Environmental Footprint of Hardware Infrastructure	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	Quantitative	TC-SI-130a.1
	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	TC-SI-130a.2
	Discussion of the integration of environmental considerations into strategic planning for data center needs	Discussion and Analysis	TC-SI-130a.3
Managing Systemic Risks from Technology Disruptions	Number of (1) performance issues and (2) service disruptions; (3) total customer downtime ¹⁰⁴	Quantitative	TC-SI-550a.1
	Description of business continuity risks related to disruptions of operations	Discussion and Analysis	TC-SI-550a.2

INDUSTRY-BASED METRICS - EXAMPLE

Software and IT Services

Table 2. Activity Metrics

ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
(1) Number of licenses or subscriptions, (2) percentage cloud-based	Quantitative	Number, Percentage (%)	TC-SI-000.A
ACTIVITY METRIC	CATEGORY	UNIT OF MEASURE	CODE
(1) Data processing capacity, (2) percentage outsourced 105	Quantitative	See note	TC-SI-000.B
(1) Amount of data storage, (2) percentage outsourced 105	Quantitative	Petabytes, Percentage (%)	TC-SI-000.C



GETTING READY FOR IFRS S2

TCFD RECOMMENDATIONS

<https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf>

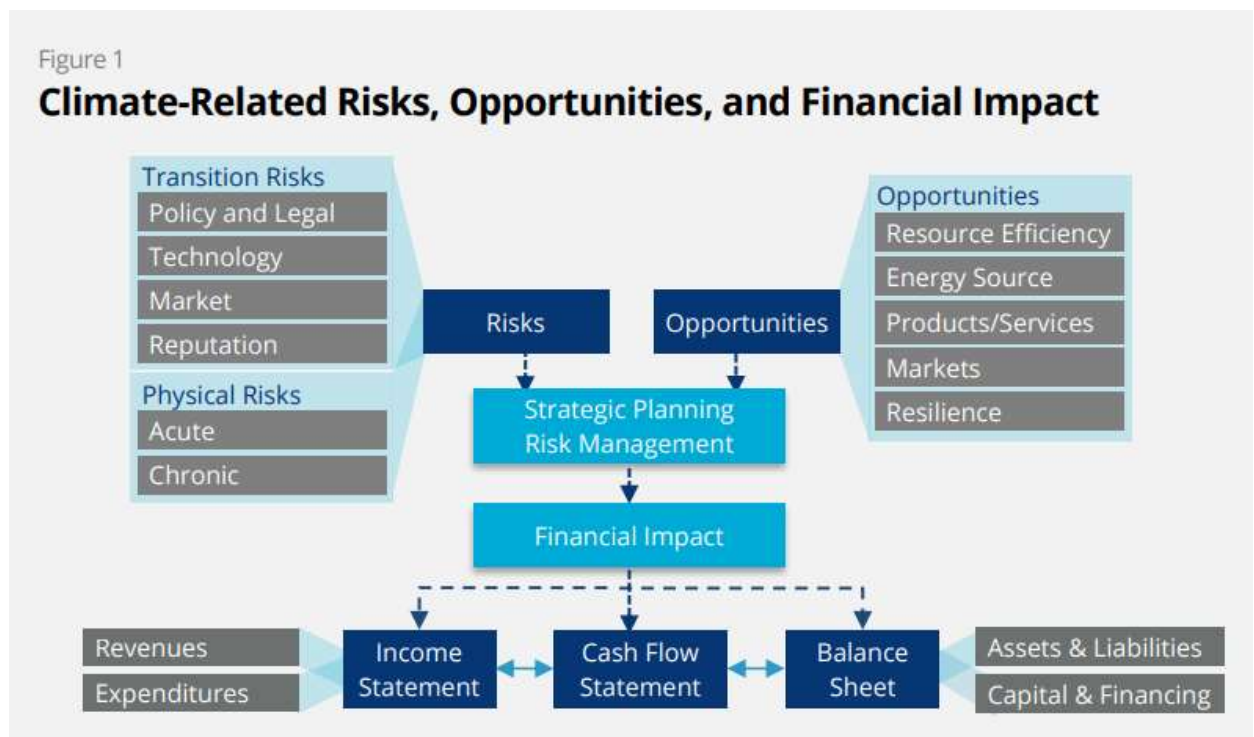


Figure 2

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

4 Pillars

Figure 4

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
<ul style="list-style-type: none"> a) Describe the board's oversight of climate-related risks and opportunities. 	<ul style="list-style-type: none"> a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. 	<ul style="list-style-type: none"> a) Describe the organization's processes for identifying and assessing climate-related risks. 	<ul style="list-style-type: none"> a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
<ul style="list-style-type: none"> b) Describe management's role in assessing and managing climate-related risks and opportunities. 	<ul style="list-style-type: none"> b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. 	<ul style="list-style-type: none"> b) Describe the organization's processes for managing climate-related risks. 	<ul style="list-style-type: none"> b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	<ul style="list-style-type: none"> c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. 	<ul style="list-style-type: none"> c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management. 	<ul style="list-style-type: none"> c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

11 Recommendations

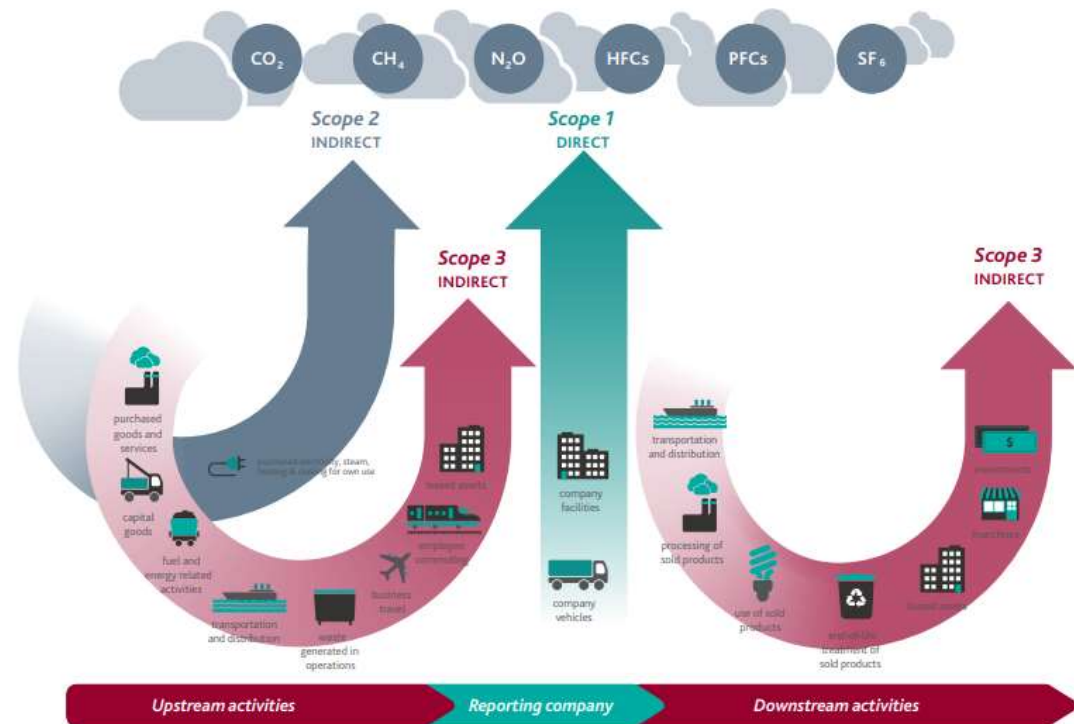
WHAT ABOUT SCOPE 1, 2 AND 3 EMISSIONS?

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosures

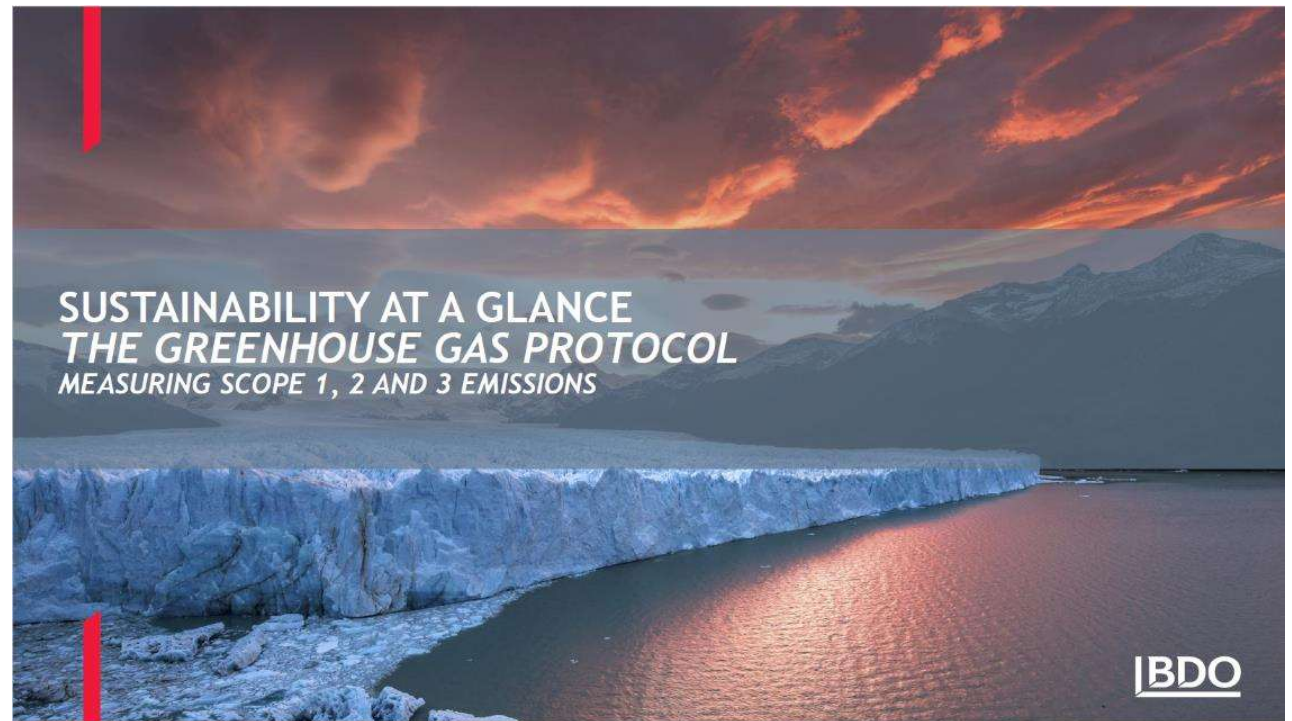
- Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.



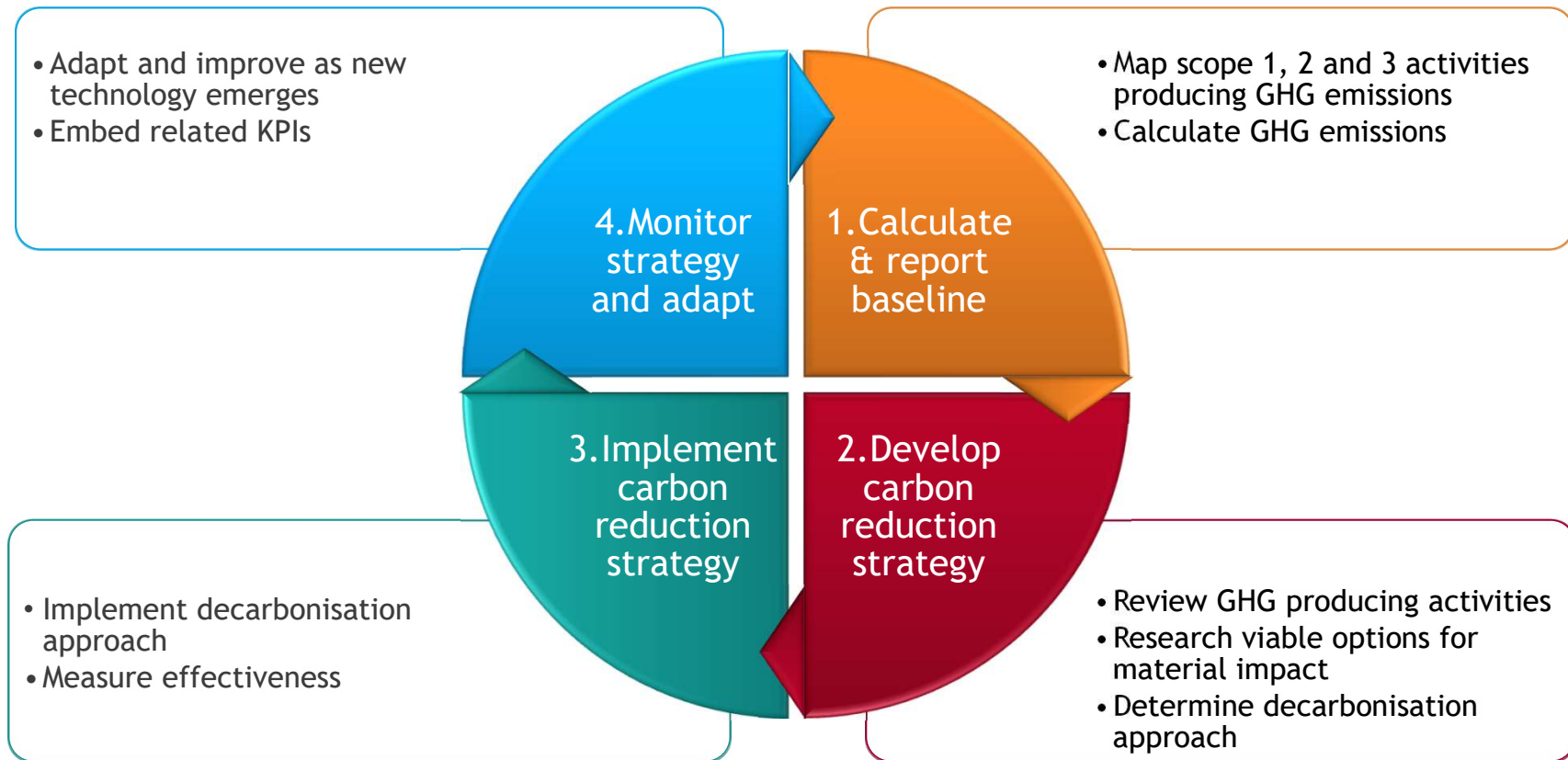
Source: Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard

GHG PROTOCOL - AT A GLANCE

[https://global-
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80e0eafa53a2/GHG-
Protocols-At-a-
Glance.pdf.aspx](https://global-
www.bdo.global/getmedia/c
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Protocols-At-a-
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CONTINUOUS IMPROVEMENT JOURNEY

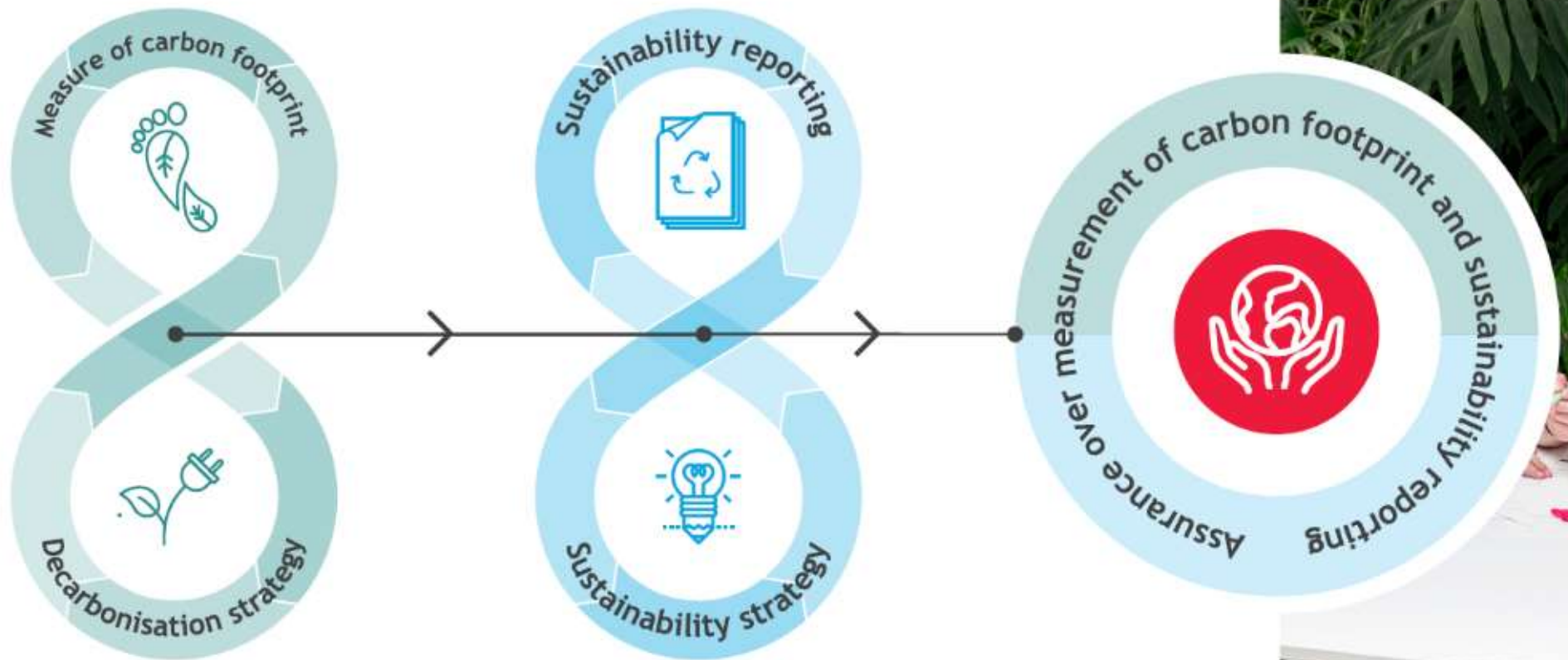




NEXT STEPS

NEXT STEPS ... MAKE A START!

A continuous improvement journey



THE BOARD'S QUICK GUIDE TO PROACTIVE ESG OVERSIGHT

Prioritize ESG Risks and Opportunities

- ▶ Conduct a materiality assessment to identify ESG risks and opportunities
- ▶ Benchmark against peers and stakeholder interests in prioritizing ESG issues
- ▶ Regularly update ESG risk and opportunity assessments as part of enterprise risk management



Clearly Define Board Oversight

- ▶ Determine governance structure, including full board and committee roles
- ▶ Formalize the division of responsibilities between the board, committees and management
- ▶ Update board charters
- ▶ Publicly share board ESG oversight responsibilities via proxy disclosures and sustainability reporting



Tie Strategy to Value Creation

- ▶ Align corporate purpose to ESG objectives and supporting metrics
- ▶ Embed short- and long-term ESG goals into broader corporate strategy
- ▶ Hold management accountable to ESG progress through incentives, KPIs and tracking capabilities



Design Reliable Reporting

- ▶ Select applicable frameworks and methodologies based on industry, available data and resources
- ▶ Oversee establishment of reporting systems, data sourcing, controls and testing processes
- ▶ Assess the need for third-party assurance on ESG data integrity and compliance
- ▶ Identify appropriate communication channels – e.g., standalone and/or integrated sustainability reports, corporate websites, etc.



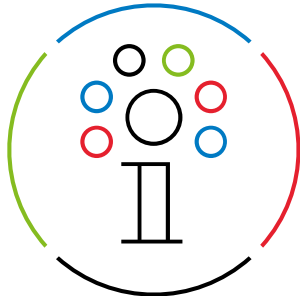
Create an Iterative Process for Improvement

- ▶ Establish a program management approach to re-evaluate and enhance management's ESG framework
- ▶ Make ESG and sustainability a regular part of board and management discussions
- ▶ Ensure all levels of the organization receive continual education in this evolving area



<Questions>

You can type them in the “Questions” box now
Or contact me via:



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Questions?

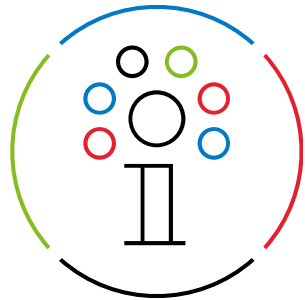


Susannah Gynter
Moderator

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- 1 June – Year End Conversations for ALL your SMSF Clients

Questions?



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Next steps

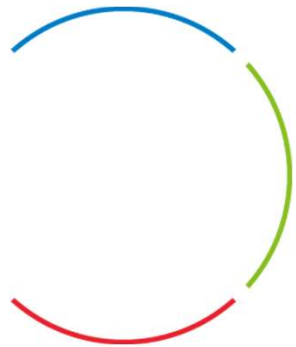
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