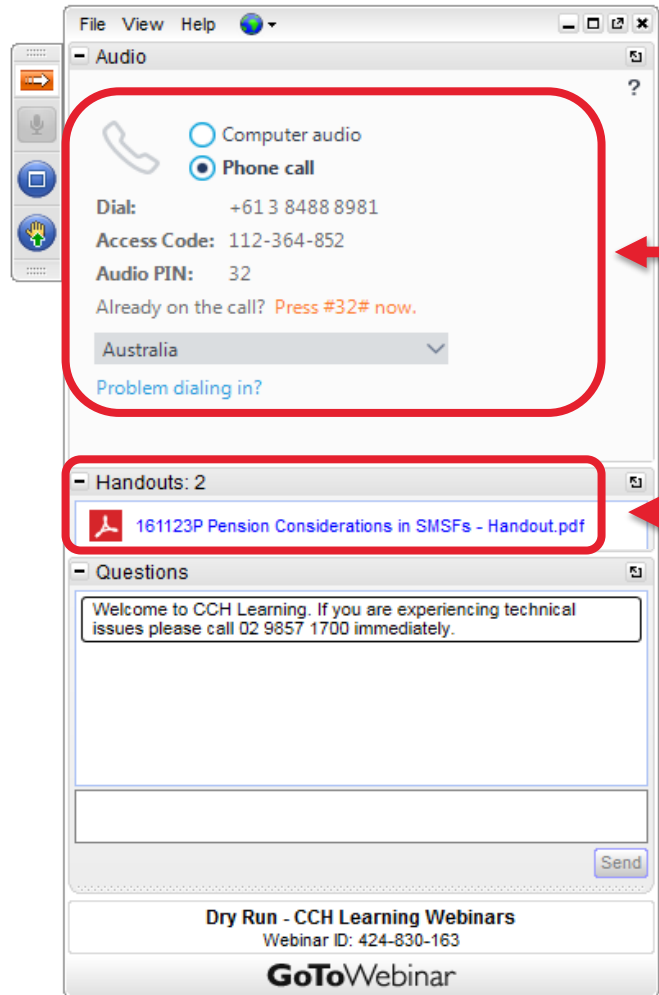

Financial and Sustainability Reporting – What is Hot and What is Not in 2024?

Aletta Boshoff

Thursday 15 February 2024



How to Participate Today



- Sound Problems? Toggle between Audio and Phone
- PowerPoint? In the Handouts Section
- E-learning Recording? Within 24-48 hours you will receive an email notification

Questions?



Susannah Gynther
Moderator

Type your
question and hit
Send





GROW YOUR SKILLS, GROW YOUR KNOWLEDGE, GROW YOUR BUSINESS.

Subscribe to CCH Learning and gain **unlimited access** to all live webinars, E-Learnings and supporting documentation.

Plus, your CPD hours will be recorded automatically.

[Find Out More!](#)

Your Presenter



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



Acknowledgement of Country

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

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

Spring 2023 BDO Board Pulse Survey

Spring 2023 BDO Board Pulse Survey (BDO US)

<https://insights.bdo.com/Spring-2023-BDO-Board-Pulse-Survey.html>



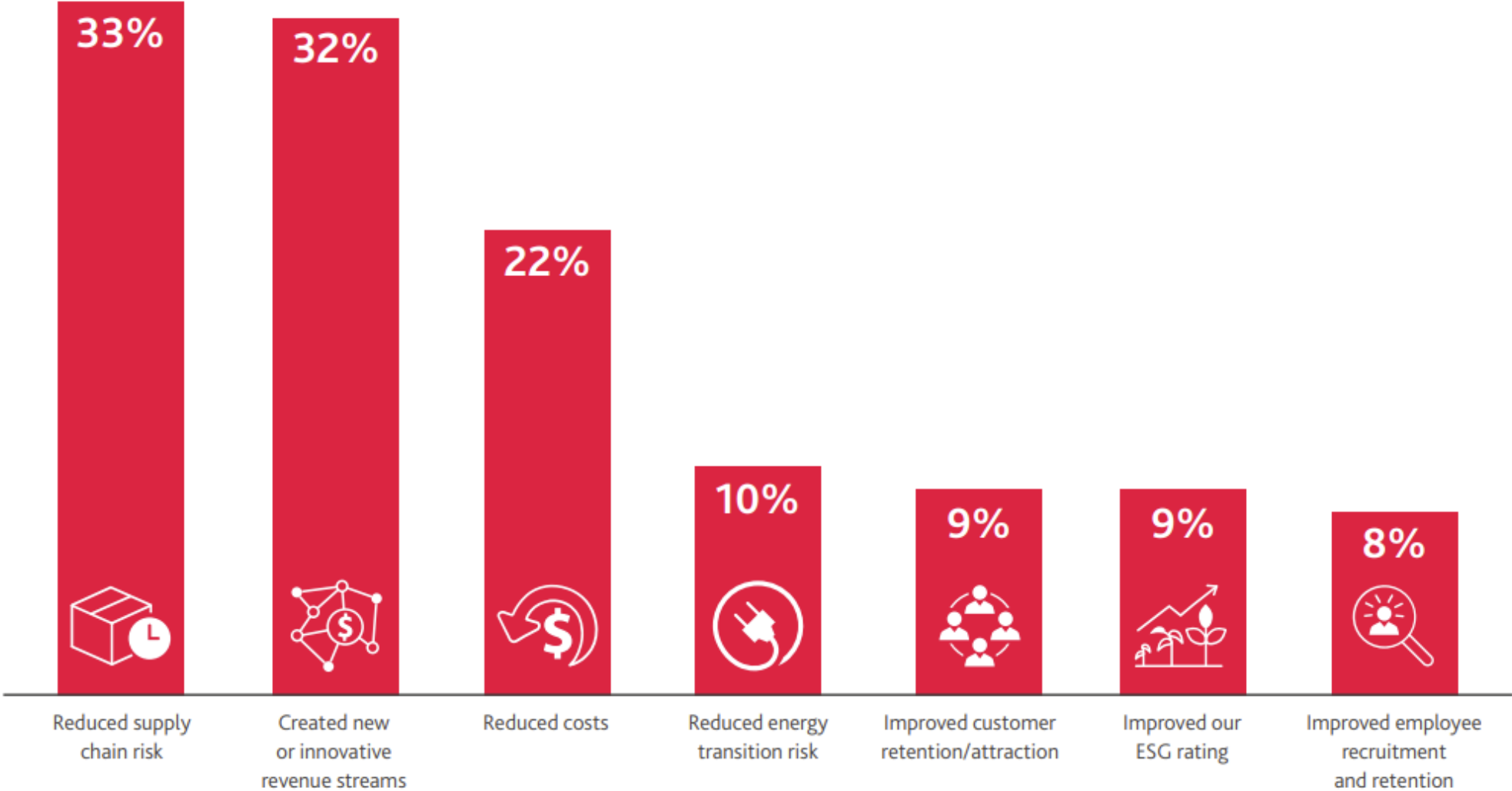
Spring 2023 BDO Board Pulse Survey

WHERE COULD THE BOARD BE MORE IMPACTFUL IN ITS OVERSIGHT OF MANAGEMENT?



Spring 2023 BDO Board Pulse Survey

HOW HAVE ESG INITIATIVES BENEFITTED YOUR BUSINESS SO FAR?



Spring 2023 BDO Board Pulse Survey

Board's View



27% of directors believe environmental issues will be top of shareholders' minds this proxy season.

When asked which ESG focus areas will provide long-term sustainable value to the organization:



31% of directors cite bolstering environmentally friendly policies, procedures and products and



27% cite reducing carbon footprint and satisfying Net Zero Emission commitments.

BDO's Take

After a year marked by extreme weather globally, the growing number of public emissions-reduction commitments as well as impending climate change-related disclosure regarding physical and transition risk are poised to transform climate risk management and reporting.

In particular, boards will be closely monitoring the implications of the SEC's potential Scope 1, 2 and 3 emissions disclosures and attestation requirements.

Even boards that don't recognize climate risk as salient to their business yet will likely need to procure and disclose data from their own carbon footprint as well as from supply chain sources or in response to other companies' requests if part of their supply chain.

Although the scope of SEC reporting along with deadlines is still to be determined — and reporting required by international jurisdictions may yet be a year or two away — preparation for regulatory compliance will take significant time and effort.

IDEAS | PEOPLE | TRUST

2024 CFO Outlook Survey



2024 CFO Outlook Survey

<https://insights.bdo.com/2024-BDO-CFO-Outlook-Survey.html>



Read the 2024 CFO Outlook Survey to discover:



Why many CFOs expect **revenue and profitability to remain flat in 2024** — and how they'll go on the offense to kickstart their growth.



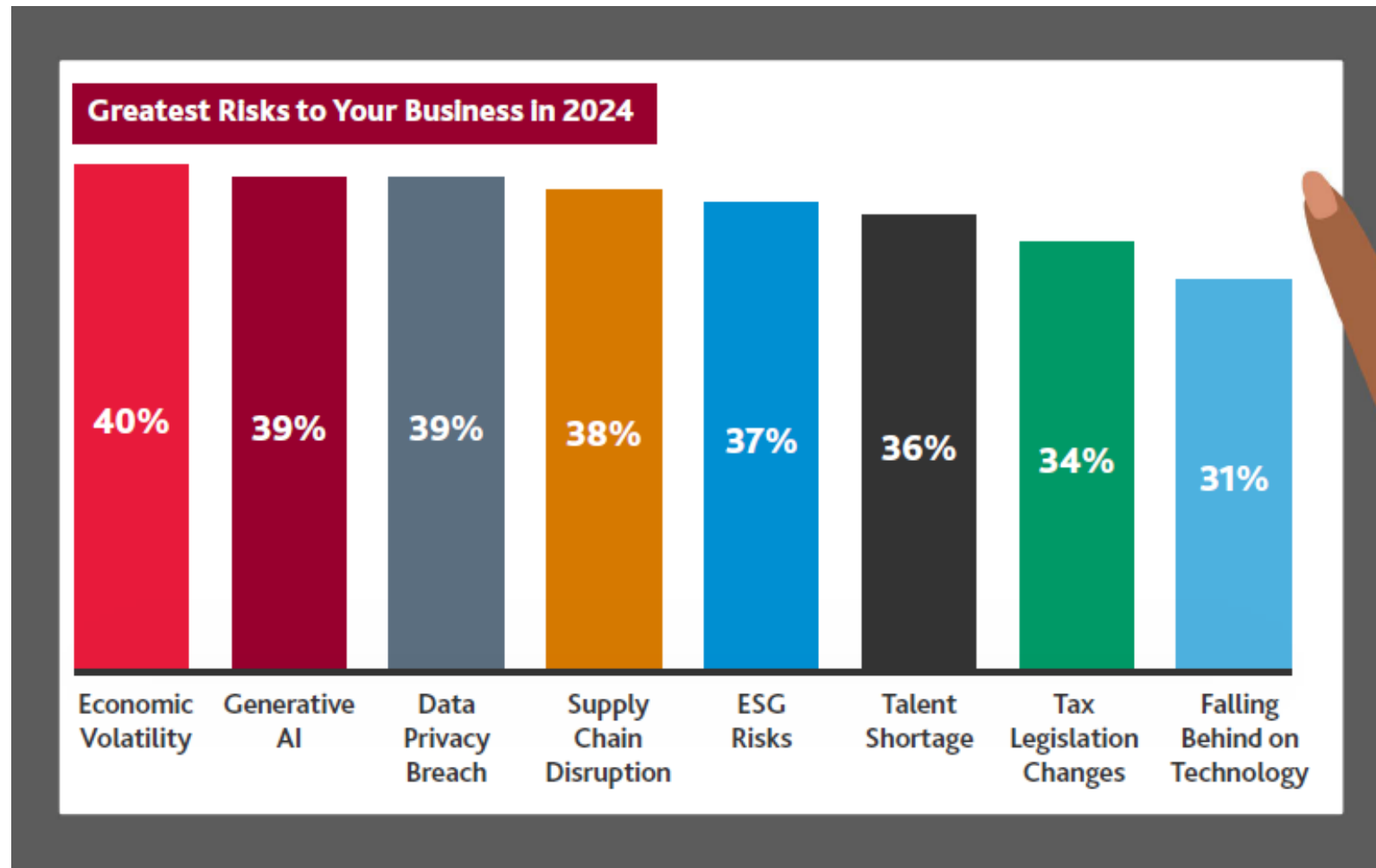
How **thriving companies see sustainability issues as an opportunity**, not a constraint — and what's driving their sustainability investments.



How CFOs are **embracing generative AI** and their journey to explore its limitless potential to transform their businesses.

2024 CFO Outlook Survey

<https://insights.bdo.com/2024-BDO-CFO-Outlook-Survey.html>



2024 CFO Outlook Survey

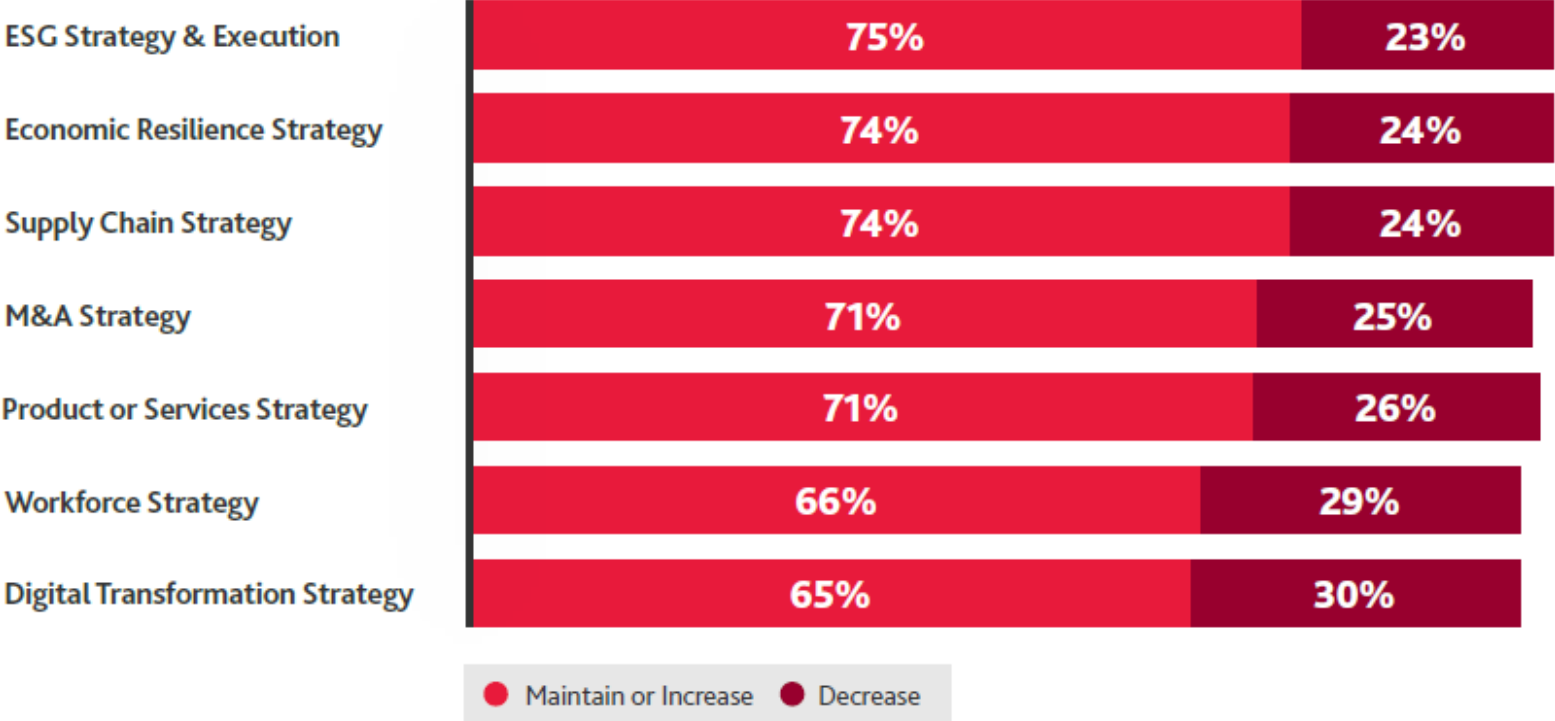
<https://insights.bdo.com/2024-BDO-CFO-Outlook-Survey.html>



**ESG strategies
are gaining
momentum.**

Fifty-three percent of CFOs say they have embedded ESG principles into their core business strategy or are actively working on it.

Anticipated CFO Involvement in 2024



2024 CFO Outlook Survey

<https://insights.bdo.com/2024-BDO-CFO-Outlook-Survey.html>



How **thriving companies** see **sustainability issues** as an **opportunity**, not a constraint — and what's driving their sustainability investments.

What's Not Hot in 2024... you should already have it covered?



IFRS 9
Financial Instruments

IFRS 15
*Revenue from
Contracts with
Customers*

IFRS 16 *Leases*

IFRS 17 *Insurance
Contracts*

AASB 1058
*Income of NFP
Entities*

AASB 1060
Simplified Disclosures

What's Hot in 2024...?

01

Carbon
Accounting

&

Sustainability
Reporting

02

CFO - emergence of
Chief Value Officer
(CVO)

Corporate acquisition
/ reorganisations

Impacts of Global
Events

03

Finance teams and
finance function

Current vs. Non-
current liability
classification

Carbon Accounting & Sustainability Reporting



How did 2024 start...?

<https://www.bdo.com.au/en-au/insights/esg-sustainability/draft-legislation-to-mandate-climate-reporting-in-australia>

- ▶ On Friday, 12 January 2024, the Australian Government released draft legislation for significant reforms establishing Australia's climate risk disclosure framework
- ▶ The draft legislation amends the *Australian Securities and Investment Commission Act 2001* and the *Corporations Act 2001* to introduce mandated climate-related financial disclosures in a **separate sustainability report**, as part of some entities' **annual reports**
- ▶ Entities will also be required to obtain an **assurance report** over the sustainability report from **their financial auditors**

Who will be required to begin climate-related reporting?

Draft legislation to mandate climate reporting in Australia

First annual reporting periods starting on or after	Large entities and their controlled entities meeting at least <u>two of three</u> criteria:			National Greenhouse and Energy Reporting (NGER) Reporters	Asset Owners
	Consolidated revenue	EOFY consolidated gross assets	EOFY employees		
1 July 2024 Group 1	\$500 million or more	\$1 billion or more	500 or more	Above NGER publication threshold	N/A
1 July 2026 Group 2	\$200 million or more	\$500 million or more	250 or more	All other NGER reporters	\$5 billion assets under management or more
1 July 2027 Group 3	\$50 million or more	\$25 million or more	100 or more	N/A	N/A

Source: *Mandatory climate-related financial disclosures - Policy position statement*

Who will be excluded from mandatory climate-related reporting?

Draft legislation to mandate climate reporting in Australia

- ▶ Small and medium businesses below the relevant size thresholds will be exempt
- ▶ Entities that are exempt from lodging financial reports under Chapter 2M of the Corporations Act, including:
 - Where exemptions have been made through the Australian Securities and Investment Commission (ASIC) class orders; or
 - Where the entity is registered with the Australian Charities and Not-for-profits Commission (ACNC)

Group 3 materiality exemption

Draft legislation to mandate climate reporting in Australia

- ▶ Group 3 entities (entities that are in-scope for reporting but that do not meet the thresholds for Group 2) would only be required to make climate-related financial disclosures in line with the climate disclosure standards, if they face material climate-related risks or opportunities for the financial reporting period
- ▶ Where Group 3 entities assess that they do not have material risks or opportunities, they would only be required to disclose a statement to that effect

What will be disclosed?

Draft legislation to mandate climate reporting in Australia

- ▶ The Government endorses full adoption of the [International Sustainability Standards Board's](#) (ISSB's) IFRS S2 *Climate-related Disclosures* standard in Australia, with modifications limited to those necessary to ensure standards are fit for Australia
- ▶ This should incorporate Australia's greenhouse gas emissions estimation methodologies and international climate change commitments
- ▶ The Government also supports the adoption of the ISSB's IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, but only where required to give effect to climate disclosure standards.

Where will sustainability disclosures be required?

Draft legislation to mandate climate reporting in Australia

- ▶ Climate-related financial disclosures will sit within a sustainability report, which will form the fourth report required as part of annual financial reporting obligations and be contained in an entity's annual report
- ▶ An entity's annual report is proposed to consist of the following **four** reports:
 - Annual financial report
 - Annual sustainability report
 - Directors' report, and
 - Auditor's report.

Where will sustainability disclosures be required?

Draft legislation to mandate climate reporting in Australia

- ▶ The annual **financial report** consists of the following:
 - The financial statements for the year
 - The notes to the financial statements
 - The directors' declaration about the statements and notes

- ▶ The annual **sustainability report** is proposed to consist of the following:
 - The climate statements for the year
 - Any notes to the climate statements
 - The directors' declaration about the statements and notes

Timing of annual report lodgement, which will now also include a sustainability report, including for those required to lodge with ASIC will stay consistent with current requirements under section 319 of the *Corporations Act*

Assurance requirements

Draft legislation to mandate climate reporting in Australia

- ▶ Climate disclosures will be subject to similar assurance requirements to those currently in the *Corporations Act* for financial reports
- ▶ They will require entities to obtain an assurance report from **their financial auditors**, who will also use **technical climate and sustainability experts** where required
- ▶ These requirements will be set out in Australian assurance standards for climate disclosures

Modified liability

Draft legislation to mandate climate reporting in Australia

- ▶ Entities will be provided relief for a fixed three-year period for disclosures relating to scope 3 emissions and certain climate-related forward-looking statements
- ▶ For reports issued between 1 July 2025 and 30 June 2028, only the regulator will be able to bring action relating to breaches of relevant provisions made in disclosures of scope 3 emissions and climate-related forward-looking statements, and the remedies available to the regulator will be limited to injunctions and declarations
- ▶ Beyond this period, the existing liability arrangements will apply



How does this all fit together...?

What is sustainability?



Environmental

- ▶ Climate change/carbon emissions
- ▶ Land use/ecological sensitivity
- ▶ Air/water pollution
- ▶ Biodiversity/deforestation
- ▶ Waste recycling and re-use
- ▶ Energy efficiency
- ▶ Water management
- ▶ Fresh water availability.



Social

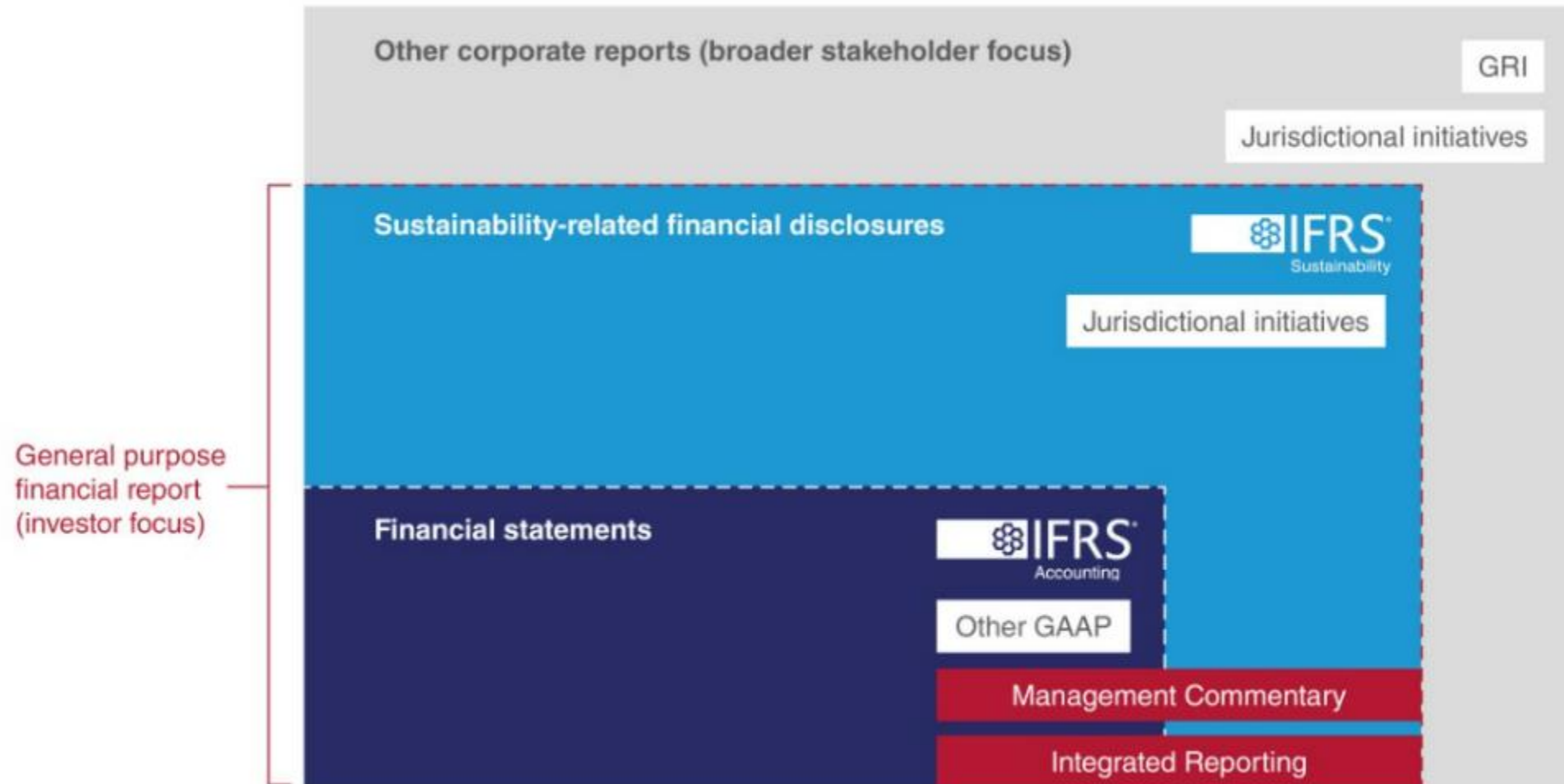
- ▶ Diversity, equity and inclusion
- ▶ Employee engagement
- ▶ Human rights and modern slavery
- ▶ Customer satisfaction
- ▶ Health, safety and wellness
- ▶ Community engagement
- ▶ First Nations engagement
- ▶ Wealth creation and employment.



Governance

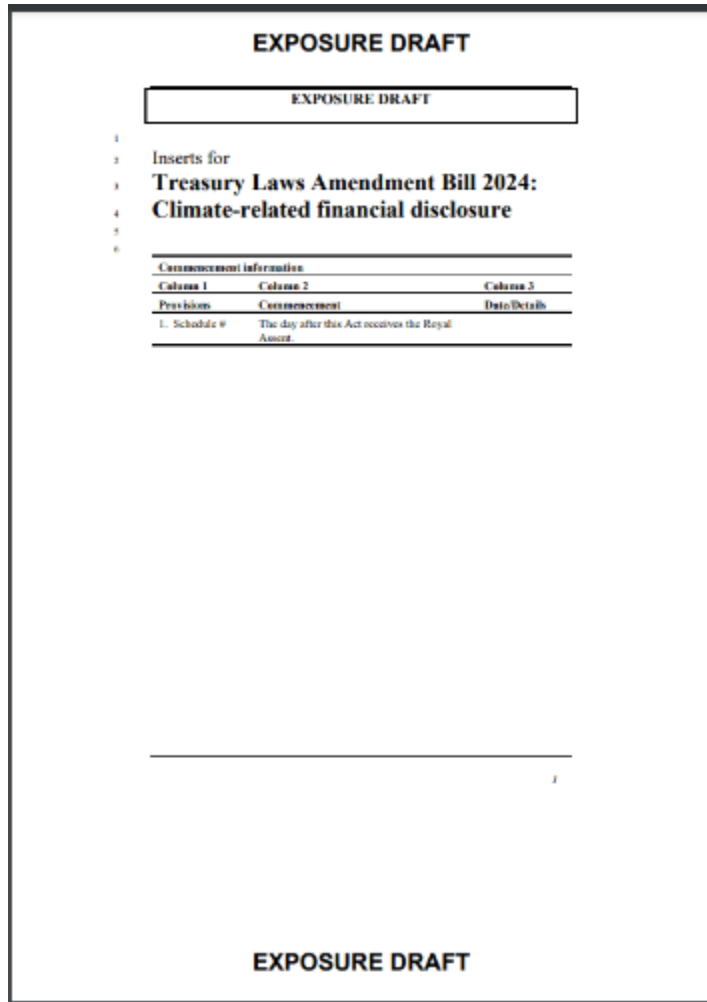
- ▶ Governing purpose
- ▶ Board composition
- ▶ Ethical behaviour
- ▶ Cyber security
- ▶ Data protection/privacy
- ▶ Bribery and corruption
- ▶ Risk and opportunity oversight
- ▶ Remuneration and executive compensation.

Linking sustainability reporting with financial reporting



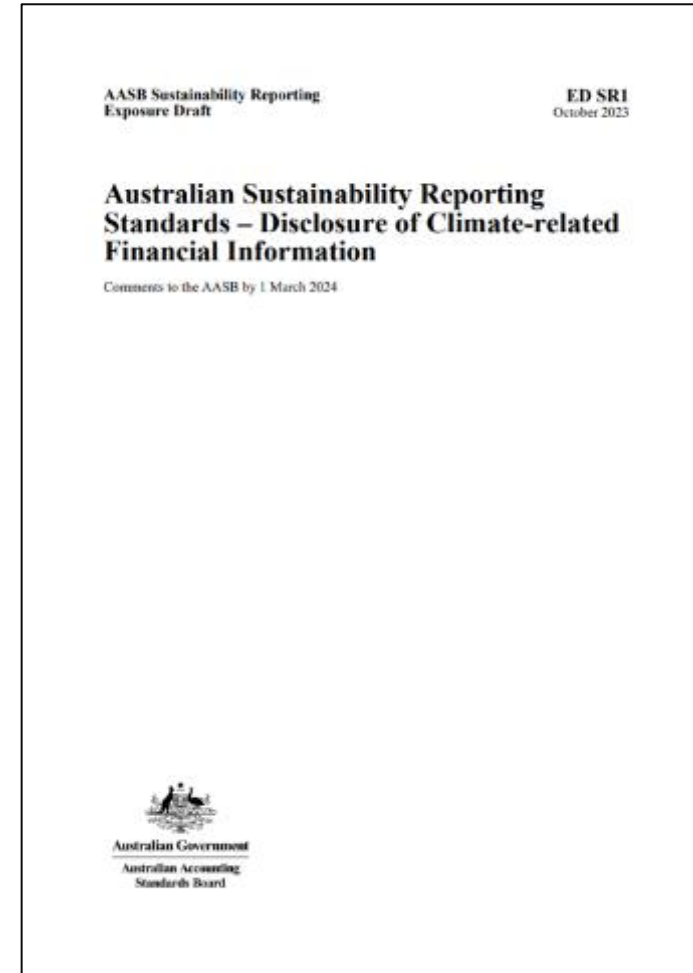
Friday, 12 January 2024

Draft legislation to mandate climate reporting in Australia



Monday, 23 October 2023

Publication of AASB Exposure Draft ED SR1

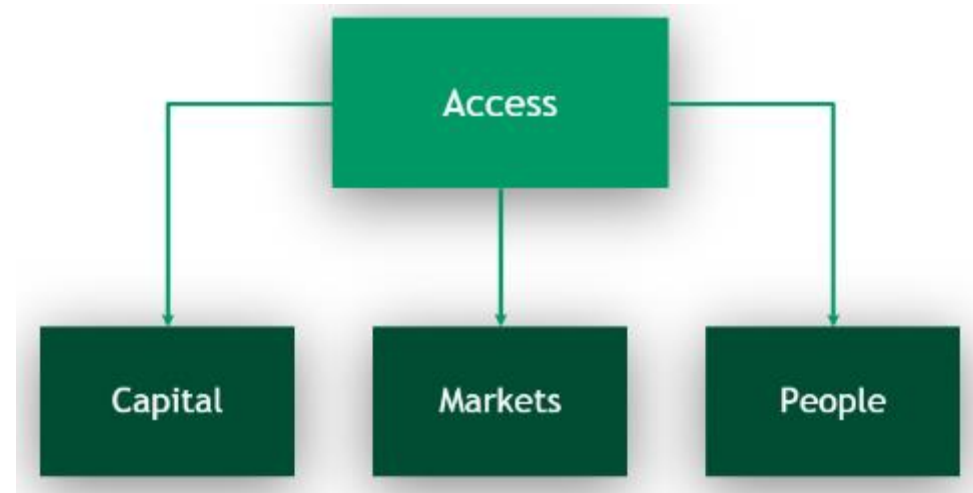


Best practice roadmap - Group 1 entities

PROJECT STREAMS			30 June 2024	30 June 2025	30 June 2026
1	Carbon Footprint Measurement	Scope 1 and 2 emissions	Initial calculation and reporting Set targets Assurance readiness assessment	Mandatory calculation and reporting of Scope 1 and 2 emissions	
		Scope 3 emissions	Initial Calculation (Significant estimation) Set targets	Calculation (Some estimation) Assurance readiness assessment	Mandatory calculation and external reporting of Scope 3 emissions
2	Climate-related disclosures	TCFD	Include all TCFD disclosures in the annual report	TCFD disclosures replaced by IFRS S2	
		IFRS S2	Conduct an IFRS S2 gap analysis	Mandatory reporting of all IFRS S2 / ASRS disclosures - Climate risk assessment - Scenario analysis	
		ASRS	Conduct an ASRS gap analysis		
3	General sustainability-related disclosures	IFRS S1	Alignment with pillars of sustainability reporting: •Governance •Strategy Materiality assessment	Alignment with pillars of sustainability reporting: •Risk Management •Metrics and Targets Conduct an IFRS S1 gap analysis	Mandatory reporting of all IFRS S1 disclosures

What does mandatory sustainability reporting mean for smaller entities?

1. Where do you fit into the economic system?



2. Who are your key stakeholders? Who will demand this information?
3. What information will your stakeholders demand? **Carbon footprint, net zero targets?**
4. Are you ready to provide this information to your stakeholders?
5. Let's get started!

How BDO can help

<https://www.bdo.com.au/en-au/services/advisory/sustainability>

Carbon Accounting

We support organisations in measuring the greenhouse gas emissions they produce throughout their operations and supply chain.

LEARN MORE

Sustainability Reporting

We assist organisations in identifying and implementing reporting frameworks or integrated reporting requirements to meet stakeholder and regulatory needs.

LEARN MORE

Sustainability Strategy

From addressing the impacts on the planet, people or community or looking to improve governance systems, we help to ensure organisations continue to create sustainable value for stakeholders.

LEARN MORE

Sustainability Assurance

Demand for sustainability disclosure and the need for reliable and accurate information are increasing. We improve the credibility of the sustainability disclosures and the quality of reporting.

4 Pillars

Figure 4

Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>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.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

11 Recommendations

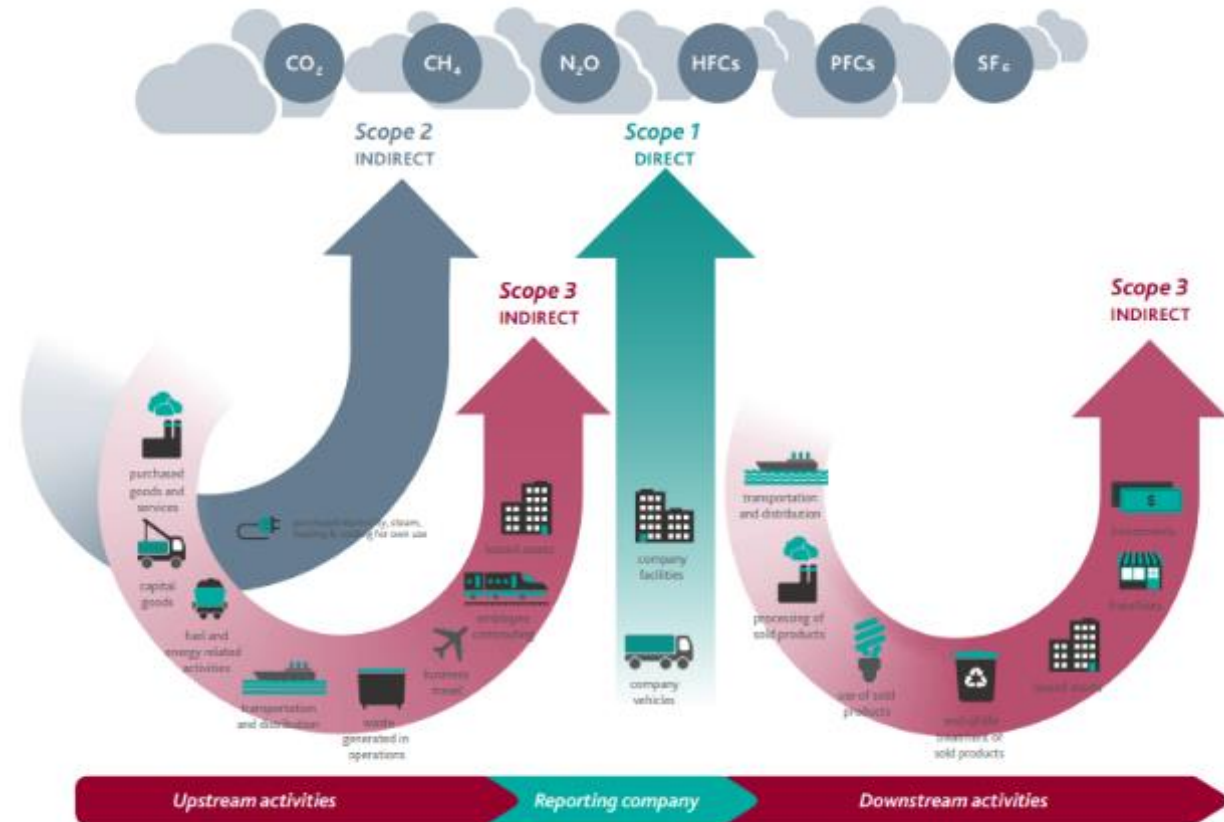
WHAT ABOUT SCOPE 1, 2 AND 3 EMISSIONS?

Metrics and Targets

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

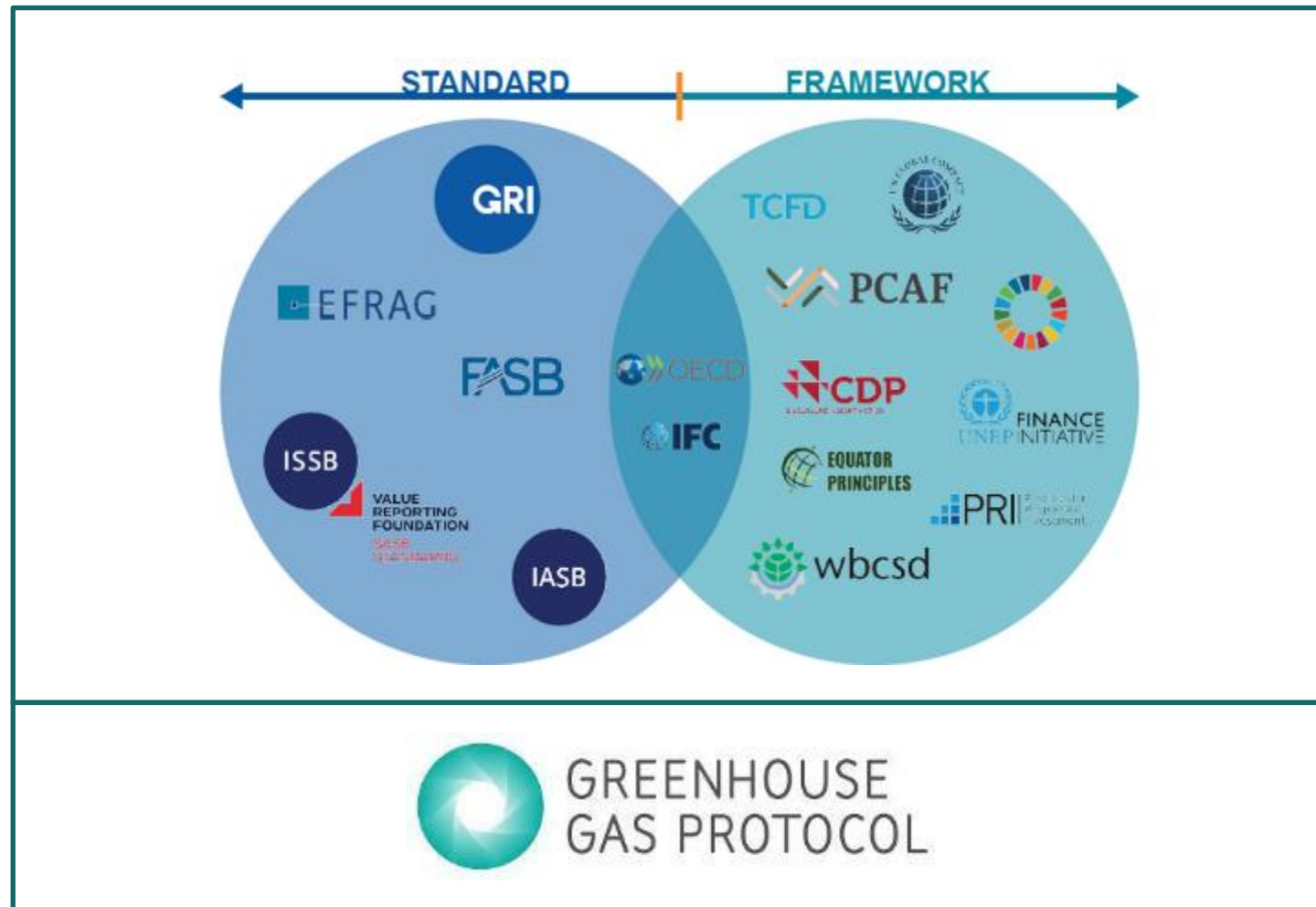
Recommended Disclosures

- 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

GREENHOUSE GAS PROTOCOL - REPORTING FRAMEWORK AGNOSTIC

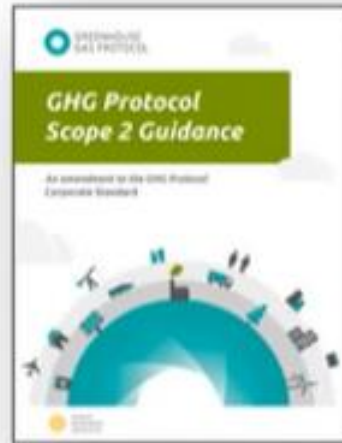


GHG PROTOCOL PUBLICATIONS

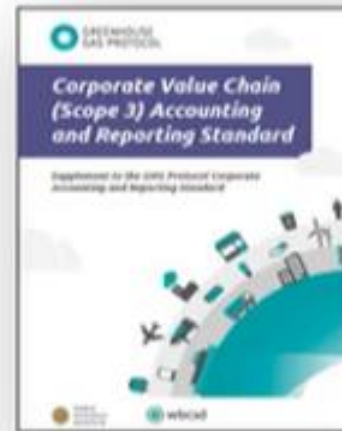
<https://ghgprotocol.org/standards>



Corporate Standard



Scope 2 Guidance



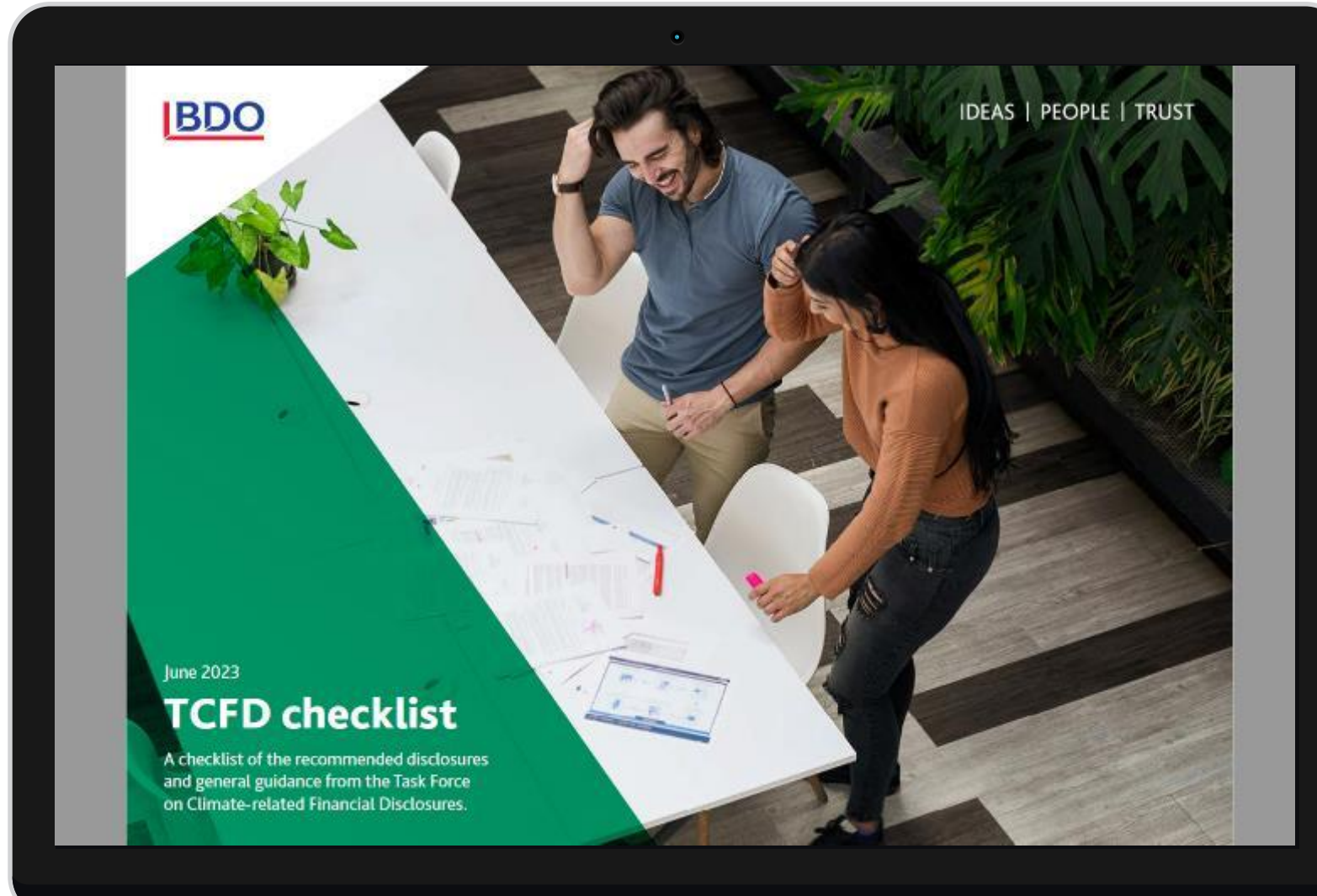
Value Chain Standard
Scope 3

Other standards
Product life cycle, guidance for cities, etc.

TCFD CHECKLIST

A checklist of the recommended disclosures and general guidance from the Task Force on Climate-related Financial Disclosures

[DOWNLOAD CHECKLIST](#)



FREE TCFD TRAINING

www.bdo.com.au/sustainability-learninghub

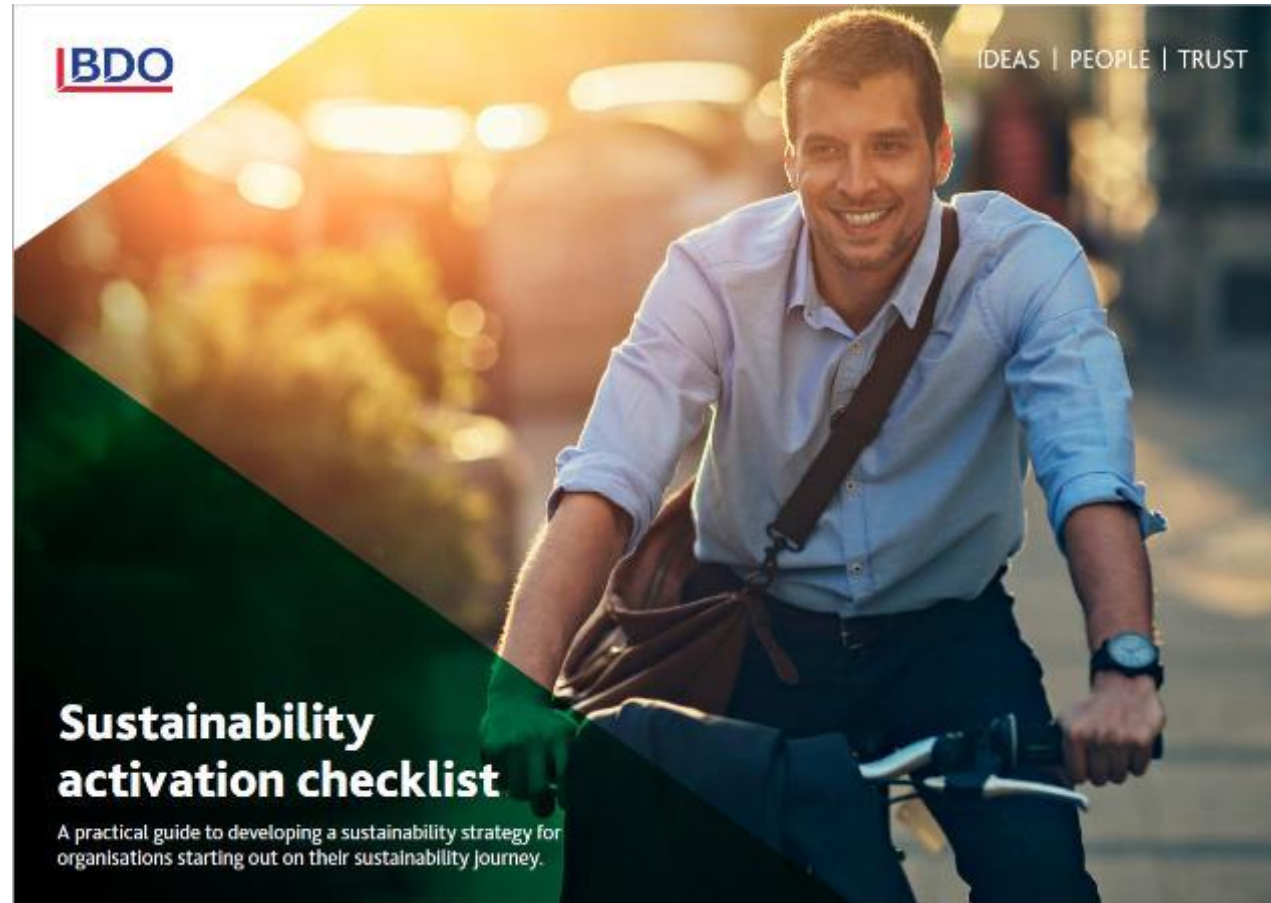


TCFD eCourse

A free introductory e-Course on the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

A CHECKLIST FOR DEVELOPING YOUR SUSTAINABILITY ROADMAP

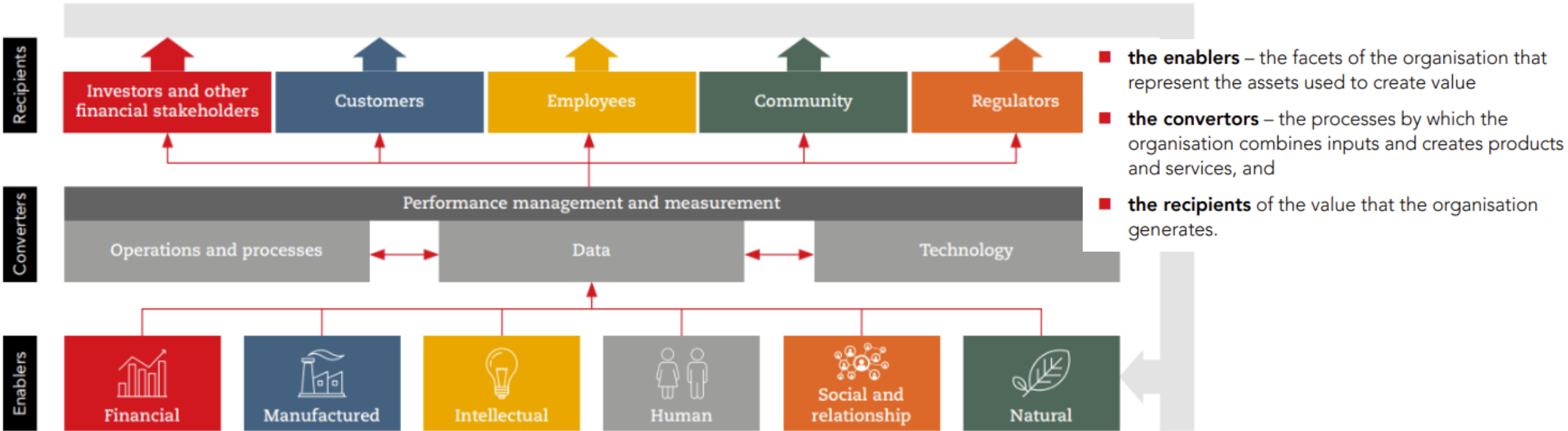
[Download the checklist](#)



Chief Value Officer

Chief Value Officer

Joint Research - What is Value - a Model; Who drives this value in the organisation?



- **the enablers** – the facets of the organisation that represent the assets used to create value
- **the converters** – the processes by which the organisation combines inputs and creates products and services, and
- **the recipients** of the value that the organisation generates.

<https://www.bdo.global/en-gb/services/business-services-outsourcing/chief-value-officer-the-important-evolution-of-the-cfo-report>

Report: Chief Value Officer - The Important Evolution of the CFO

<https://www.bdo.global/en-gb/services/business-services-outsourcing/chief-value-officer-the-important-evolution-of-the-cfo-report>

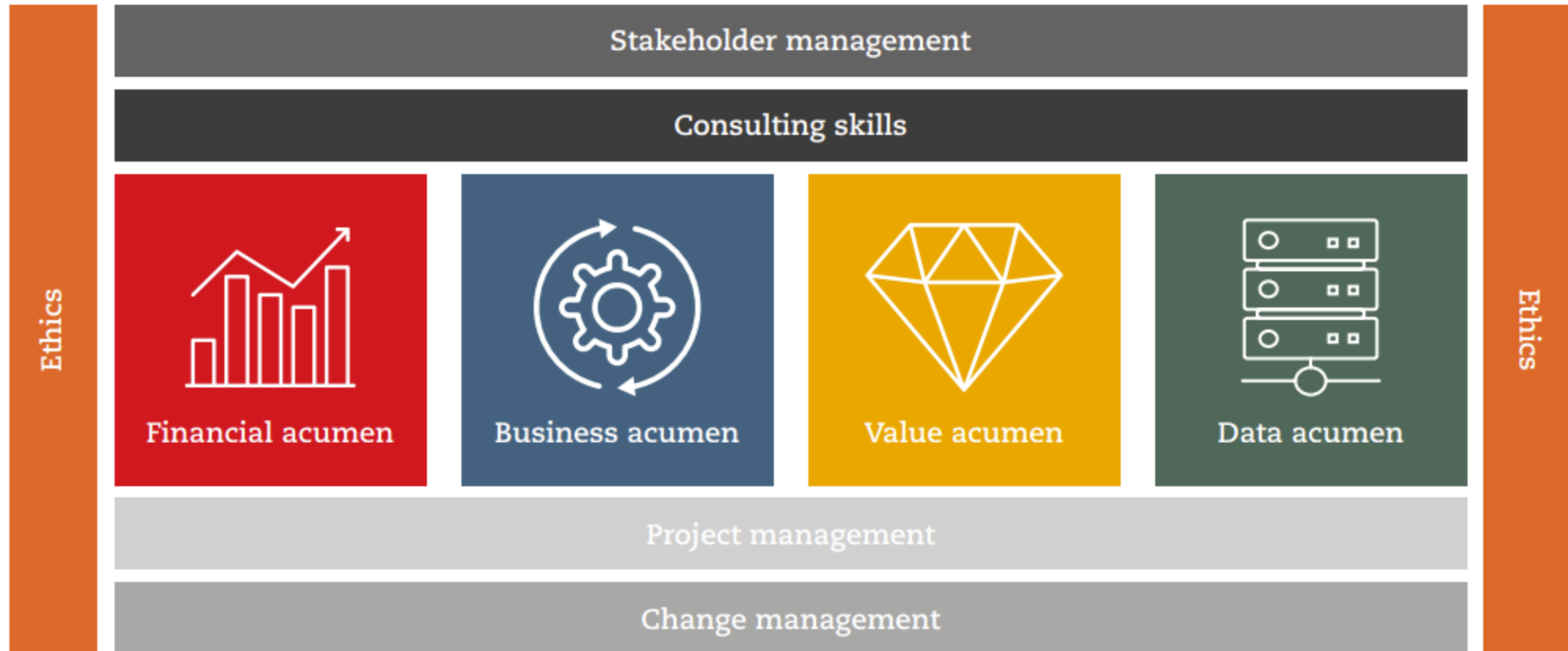
Three key messages from this report

- The concept of value is fundamental to the management of performance in organisations and its adoption is a key element in their path to a sustainable future.
- Chief financial officers are increasingly adopting a value centric approach in their work and this represents an evolution towards a chief value officer role away from a traditionally financially focused remit.
- The development path for those aspiring to be chief financial officers requires an increasingly broad range of experience which embraces both formal and informal learning activities which professional bodies and practices need to engage with.



Report: Chief Value Officer - The Important Evolution of the CFO

The reality of the CFO as CVO



CVO and how CFOs can drive value

ESG & Sustainability

Four ways Sustainability Reporting is driving value:

1. Deliver cost savings:
 - ▶ Reporting
 - ▶ Drives identification of targets that are measured and reported on e.g. resource consumption, carbon emissions
2. Reduce portfolio vulnerabilities
 - ▶ Understand non-finance risks and opportunities
 - ▶ Implement measures to reduce their impact
3. Investor information
 - ▶ Reporting drives access to capital
4. Collaboration
 - ▶ Align across the organisation (integrated reporting)

How the CFO and finance teams are positioning themselves to add value - **What is really hot right now?**

1. Subject matter expert - reporting frameworks
- 2. Positioning responsibility for Sustainability Reporting within the finance team**
3. Data integrity and systems and processes - to support measurement of targets (a traditional finance function)
4. Integrating reporting of sustainability information into the annual report (a tradition finance function)

Finance Teams and Finance Functions

Financing - Covenants

Approach to addressing the breach



Services ▾

Industries ▾

Insights

About ▾

🔍 Search

Determining the path forward when a company in your portfolio breaches its covenant

This article was originally published by [BDO USA](#), authored by Mark Houston - Managing Director; Financial Institutions & Specialty Finance National Practice Leader.

When a company breaches a covenant in its facility agreement, the reasons behind the breach can be as varied as the strategies lenders (including bank and non-bank lenders) can take to address them. Determining the best path forward must include assessing the company's history, the details of the breach, its causes, and its short- and long-term impacts on the lender's overall portfolio.

ARTICLE

17 January 2024



Jeff Marsden

Partner, Business Restructuring

Financing - Covenants

Strategic Approach to addressing

Determine landscape of a pending breach:

1. How serious is the convenience?
2. What has or will lead to the breach?
3. How should an agreement be amended?
4. What are the alternatives?

Key Considerations when amending a facility agreement:

1. Who should handle the process?
2. Initial steps to amending:
 - ▶ There are multiple priorities, including:
 - ▶ Achieving a default rate of interest (where appropriate) to price in the increased cost of capital
 - ▶ Resetting covenants to a level that is achievable without being too lenient
 - ▶ Setting appropriate reporting requirements and milestones to ensure the lender has adequate protection.

Do you need
assistance?

BDO's IFRS & Corporate Reporting Leaders



Aletta Boshoff

Partner & National Leader
Melbourne & National

aletta.boshoff@bdo.com.au
+61 3 9603 1808



Kevin Frohbus

Partner
Sydney

kevin.frohbus@bdo.com.au
+61 2 8264 6696



Clark Jarrold

Partner
Brisbane

clark.jarrold@bdo.com.au
+61 7 3237 5654



Linh Dao

Partner
Adelaide

linh.dao@bdo.com.au
+61 8 7324 6147

BDO's IFRS & Corporate Reporting Team



DEAN ARDERN
Director



CATE POZZI
Director



CERI-ANN ROSS
Director



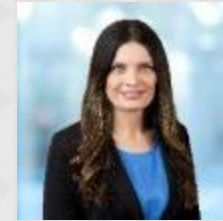
JULIE PAGCU
Director



ALISON WOLF
Director



SHERYL LEVINE
Director



ANITA SLJUKA
Director



CHRISTINE WEBB
Director



CAROLYN LAWLESS
Senior Manager



**ANNELIE VAN DER
MERWE**
Senior Manager



ELENA CHWAL
Manager



**CLAUDIA
WARSZAWSKI**
Manager



TOM DART
Manager



NOELEEN LATEGAN
Senior Consultant



LIZET KRTIZINGER
Senior Consultant



TERTIA GERMISHUYS
Senior Consultant

How BDO can help

<https://www.bdo.com.au/en-au/services/advisory/sustainability>

Carbon Accounting

We support organisations in measuring the greenhouse gas emissions they produce throughout their operations and supply chain.

LEARN MORE

Sustainability Reporting

We assist organisations in identifying and implementing reporting frameworks or integrated reporting requirements to meet stakeholder and regulatory needs.

LEARN MORE

Sustainability Strategy

From addressing the impacts on the planet, people or community or looking to improve governance systems, we help to ensure organisations continue to create sustainable value for stakeholders.

LEARN MORE

Sustainability Assurance

Demand for sustainability disclosure and the need for reliable and accurate information are increasing. We improve the credibility of the sustainability disclosures and the quality of reporting.

Questions?

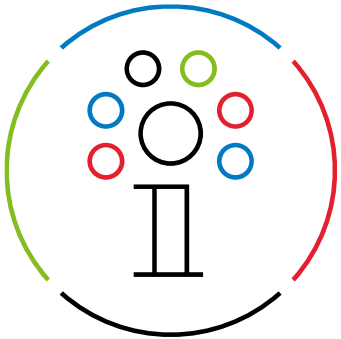


Susannah Gynther
Moderator

Type your
question and hit
Send



Upcoming Webinars



[View all Webinars](#)

- 20 February – Tax Technical Update – January & February 2024
- 21 February – FBT 2024 - Getting the reporting right for Mobile Employees
- 22 February – Seven Strategies to Build Emotional Resilience
- 27 February - ATO Private Wealth Strategy – What you (and your clients) need to know!
- 27 February - The Future of Business Development
- 28 February – FBT 2024 – Motor Vehicles including Electric Vehicles

Questions?



- Aletta Boshoff
- Partner
- National Leader IFRS & Corporate Reporting
- National Leader ESG & Sustainability
- 03 9603 1808
- Aletta.Boshoff@bdo.com.au

Next Steps

Please complete the Feedback Survey.

Within 24-48 hours you will receive an email when the following is ready;



- E-Learning Recording
- Verbatim Transcript
- CPD Certificate
- PowerPoint Presentation

Thank you for
attending

