

Sustainability reporting guide

Mandatory climate reporting

This publication provides a high-level summary of the legislative requirements (contained in [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Act 2024 – Schedule 4](#)) for mandatory climate reporting and the contents of [Australian Sustainability Reporting Standards](#) (ASRS).

Who is impacted?

The legislation requires that all entities subject to mandatory climate-related financial disclosures are phased in three groups, over a four-year period, based on size or level of emissions, as set out below.

Entities that are exempt from lodging financial reports under Chapter 2M of the *Corporations Act 2001 (Act)* are not required to make the disclosures but may elect to do so.

Scoping and timing	Required to lodge financial reports under Chapter 2M of the Corporations Act 2001 <u>and</u> falls within one (or more) of the following three categories				
First annual reporting periods beginning on or after	Meet <u>two</u> of <u>three</u> reporting thresholds:			National Greenhouse and Energy Reporting (NGER) Reporters	Asset owners (registered schemes, registrable superannuation entities, retail CCIVs)
	<i>Consolidated revenue (for year)</i>	<i>Consolidated assets (at year-end)</i>	<i>Employee numbers (at year end)</i>		
<u>Group 1</u> 1 January 2025	\$500 million or more	\$1 billion or more	> 500	Above NGER publication threshold	Scoped out of Group 1
<u>Group 2</u> 1 July 2026	\$200 million or more	\$500 million or more	> 250	All other NGER reporters	\$5 billion or more assets under management
<u>Group 3</u> 1 July 2027	\$50 million or more	\$25 million or more	> 100	N/A	Refer to Group 3 thresholds

Group 3 entities (i.e. they do not meet the Group 1 or Group 2 thresholds) would only be required to make climate-related financial disclosures in line with the ASRSs if they face material climate-related risks or opportunities for the financial reporting period. The concept of “material” is judgemental, and the potential impacts of climate-related physical and transition risks are wide-ranging. We expect all organisations will be impacted even if it is limited to suppliers requesting additional information. Even where your organisation is not a mandatory discloser, we expect all organisations will need to establish governance, strategy and risk management processes, even if only to confirm there are no current material climate-related risks or opportunities.



Director responsibilities

All directors have a duty to remain informed and exercise due care and responsibility. This includes a requirement to monitor material risks including climate. The climate reporting legislation provides a framework for this responsibility, including temporary exceptions which allow a period of regulator only enforcement over certain disclosures (includes Scope 3 emissions, scenario analysis and transition plans disclosure).

Directors remain responsible for the accurate disclosure of relevant information and must be mindful of making statements or representations which would be considered “Greenwashing”. ASIC’s monitoring of greenwashing is focused on prohibiting misleading and deceptive conduct, and particularly on entities they consider to carelessly give inaccurate or misleading statements.

Australian Sustainability Reporting Standards

The Australian Sustainability Reporting Standards (ASRSs) detail the requirements for an organisation’s climate-based disclosures.

AASB S2 *Climate-related Disclosures* is a mandatory standard on climate reporting applying to those entities specified in the climate reporting legislation. It contains four key content areas for organisations to disclose, which are summarised below:

<p>Governance</p> <p>The governance body responsible within the entity and the delegated authority within management.</p> <p>Monitoring and oversight of climate-related issues.</p>	<p>Strategy</p> <p>Climate-related risks and opportunities.</p> <p>Potential impacts on business model, supply chain, strategy, financial positions, performance.</p> <p>Overall resilience to these risks.</p>	<p>Risk management</p> <p>Processes to identify, assess, prioritise and monitor risks and opportunities.</p> <p>Key data sources and information provided to monitor risk.</p>	<p>Metrics and targets</p> <p>What targets are set.</p> <p>Actual data available to support the progress toward those targets, including Greenhouse Gas Emissions accounting.</p>

Climate-related risks and opportunities

Climate-related disclosures present organisations with both risks and opportunities for consideration. Historically good market actors may not have been fully rewarded for their actions. With the introduction of these disclosures the Government are anticipating greater rewards for those acting in a socially and environmentally responsible way.

The below table outlines the risks and opportunities as defined by the ASRSs. Organisations need to consider their exposure and opportunities in these categories as disclosure may be required.

<p>Physical risks</p> <p>Short-term events</p> <p>Long-term shifts in climate</p>	<p>Transition risks</p> <p>Arising from transition of the economy to lower-carbon – including legal, technological, market, reputational and financial</p>	<p>Opportunity</p> <p>Potential positive effects from climate on entity’s operations</p>



Greenhouse Gas Emissions accounting

Climate-related disclosures will include disclosure of scope 1, 2 and 3 emissions. Organisations therefore need to commence the capturing and storing of relevant data captured under each scope to best prepare for the transition. It is anticipated that even where an organisation is not captured under the mandatory disclosure requirements they will be impacted as part of their supplier and stakeholder information requests.

Scope 1	Scope 2	Scope 3
Direct emissions from sources controlled by the entity. E.g. Burning of fuel from fleet vehicles / other PPE	Indirect emissions from generation of purchased electricity, steam, heating or cooling.	Indirect emissions that occur in the value chain both upstream and down-stream. Note: Scope 3 is excluded from first year of reporting under mandatory climate disclosures

Assurance requirements

Under the Act, the auditor of an entity's financial report is also required to provide assurance over the mandatory climate information in an annual report. The assurance requirements are outlined in [ASSA 5000 General Requirements for Sustainability Assurance Engagements](#).

[ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001](#) outlines a timeline for phasing in audit and/or review requirements over time from 1 January 2025, as noted below, with the legislation requiring reasonable assurance of all climate disclosures by years commencing 1 July 2030.

Reporting Year >	Year 1*	Year 2	Year 3	Year 4 onwards **
Governance	Limited	Limited	Limited	Reasonable
Strategy – Risks and Opportunities ***	Limited ****	Limited	Limited	Reasonable
Climate Resilience Assessments / Scenario Analysis	None	Limited	Limited	Reasonable
Transition Plans	None	Limited	Limited	Reasonable
Risk Management	None	Limited	Limited	Reasonable
Scope 1 and 2 Emissions	Limited	Limited	Limited	Reasonable
Scope 3 Emissions	None	Limited	Limited	Reasonable
Climate-related Metrics and Targets	None	Limited	Limited	Reasonable

* This includes Group 1 entities with years commencing 1/1/25 to 30/6/2026, Group 2 entities with years commencing 1/7/26 to 30/6/27, and Group 3 entities with years commencing on 1/7/27 to 30/6/28. Note that Group 1 entities with years commencing 1 January to 30 June will be subject to the Year 1 provisions twice. Reporting of Scope 3 emissions is required for years commencing 1/1/26 to 30/6/26 for these Group 1 entities.

** Years commencing from 1/7/30 to 30/6/31 for Group 3 entities. From that time reasonable assurance is required by the Act for all mandatory climate disclosures.

*** The phasing for assurance on statements where there are no material climate-related risks and opportunities would be the same as for 'Strategy – Risks and Opportunities'.

**** Assurance requirements will only apply to disclosures prepared for the purpose of complying with sub-paragraphs 9(a), 10(a) and 10(b) of AASB S2.

Limited assurance engagement means a review of information in a sustainability report.

Reasonable assurance engagement means an audit of information in a sustainability report.



Initial questions for Boards and Senior Management

Framing	Do you have mandatory climate reporting requirements? Are suppliers, investors or customers requesting climate-related data?
Governance	Who is responsible for your climate strategy, reporting and governance? How do they monitor and provide oversight?
Strategy	Does your organisation have a net zero commitment or climate strategy? How are your competitors, customers and potential investors moving in the space? What are your climate-related goals? How would these be measured? Do you currently understand your full value chain? How are they impacted by climate-related risks? What risks are present from climate-related physical and transition risks ? Are there any opportunities?
Risk Management	How would you explain the impact of these risks and opportunities on business model, supply chain, strategy, financial position and performance? How can you manage the risks of Greenwashing in the information you might provide?
Metrics and Targets	Do you have information to analyse key drivers of your emissions? How do you currently store information about fuel usage (fleet and PPE) and electrical usage (Scope 1-2)? How about business travel and commutes (Scope 3)?

Additional Information

	<u>PP Article: Transitioning to an environmentally sustainable economy: Climate reporting is now law</u>	<u>PP Article: Climate Reporting – the beginning but not the end</u>	<u>PP Article: Is your business ready for mandatory climate reporting?</u>	<u>PP Article: Climate and sustainability assurance requirements approved by the AUASB</u>
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