October 2024

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 and falls within one (or more) of the following three categories**				
First annual reporting periods beginning on or after	**Meet two of three reporting thresholds**:			**National Greenhouse and Energy Reporting (NGER) Reporters**	**Asset owners (registered schemes, registrable superannuation entities, retail CCIVs)**
	Consolidated revenue (for year)	*Consolidated assets (at year-end)*	*Employee numbers (at year end)*		
Group 1 1 January 2025	$500 million or more	$1 billion or more	> 500	Above NGER publication threshold	Scoped out of Group 1
Group 2 1 July 2026	$200 million or more	$500 million or more	> 250	All other NGER reporters	$5 billion or more assets under management
Group 3 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:

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

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.

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

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

Assurance requirements will be subject to similar requirements to those currently in the Act for financial reports and will be required from the entity's financial statement auditors. The final assurance standard is expected to be released in late 2024.

The Auditing and Assurance Standards Board (AUASB) has issued 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). ED 02/24 outlines a proposed 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.

Proposed timeline for Assurance Phasing

Reporting Year >	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	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related Metrics and Targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

* Group 1 – Years commencing 1/1/25, Group 2 – Years commencing 1/7/26, Group 3 – Years commencing 1/7/27.
** Group 3 is to be subject to reasonable assurance across all disclosures by years commencing 1/7/30.
*** Includes the phasing for assurance on Statements where there are no material climate-related risks and opportunities.

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

PP Article: Transitioning to an environmentally sustainable economy: Climate reporting is now law

PP Article: Climate Reporting – the beginning but not the end

PP Article: Is your business ready for mandatory climate reporting?

ASIC Chairman Speech on Mandatory Climate Disclosure

Jack MacKintosh
Senior Manager

p +61 3 8610 5596
e jack.mackintosh@pitcher.com.au

Kerry Hicks
Director, Technical Standards

p +61 2 9228 2272
e kerry.hicks@pitcher.com.au

Making business *personal*

The material contained in this publication is general commentary only, it is not professional advice. Before making any decision or taking any action in relation to your organisation or business, you should consult your professional advisor. To the maximum extent permitted by law, neither Pitcher Partners or its affiliated entities, nor any of our employees will be liable for any loss, damage, liability or claim whatsoever suffered or incurred arising directly or indirectly out of the use or reliance on the material contained in this publication.

Pitcher Partners is an association of independent firms. Liability limited by a scheme approved under Professional Standards Legislation. Pitcher Partners is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities.

pitcher.com.au