

# Mandatory climate-related financial disclosures closer

Reporting update  
3 July 2023, 23RU-09



**Key milestone in global sustainability reporting**

**Second Treasury consultation regarding climate-related financial disclosures**

**Submissions due by 21 July**

**Australian sustainability disclosure standards**

## Significant developments

The International Sustainability Standards Board (ISSB) published the first two IFRS® Sustainability Disclosure Standards (IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*) on 26 June 2023. These standards are effective from 1 January 2024 – however, will not be mandatory unless regulated by jurisdictions. See our [web article](#) for more.

Coinciding with this major milestone in sustainability reporting – and with an option for organisations to adopt a ‘climate-first’ approach – the Australian Treasury released its [second consultation paper](#) on climate-related financial disclosure. This Treasury consultation builds on the previous discovery consultation in December 2022 and proposes more definitive positions to facilitate standardised reporting requirements that align with international standards.

The consultation seeks feedback on proposed positions for:

- Reporting entities – phased implementation depending on size
- Assurance requirements – phased moving from limited to reasonable assurance
- Reporting framework – location, frequency and timing of disclosures
- Liability and enforcement – modified liability approach to forward-looking statements
- Reporting content – which is broadly consistent with IFRS S1 and IFRS S2.

We expect climate-related financial disclosures to apply in Australia as soon as 30 June 2025 for some entities.

Further details are set out in this Reporting Update.

Submissions on the Treasury consultation are due 21 July 2023.

## Sustainability standards in Australia

The Australian Accounting Standards Board (AASB) will continue with its climate-related financial disclosure project to release a standard based on IFRS S2.

In its most recent meeting, the AASB decided to expand the scope of its project, previously limited to the for-profit sector, to explore the development of sector-neutral Australian climate-related financial disclosure requirements.

We expect an Australian standard to be published to meet the government’s timeline.

# Reporting entities and assurance requirements

## Reporting entities and phasing

A three-phased approach is proposed for an entity to make climate-related financial disclosures if it meets prescribed size thresholds and is required to lodge financial reports under Chapter 2M of the *Corporations Act 2001*.

### Entities required to report under Chapter 2M

Meet **two** of **three** thresholds:

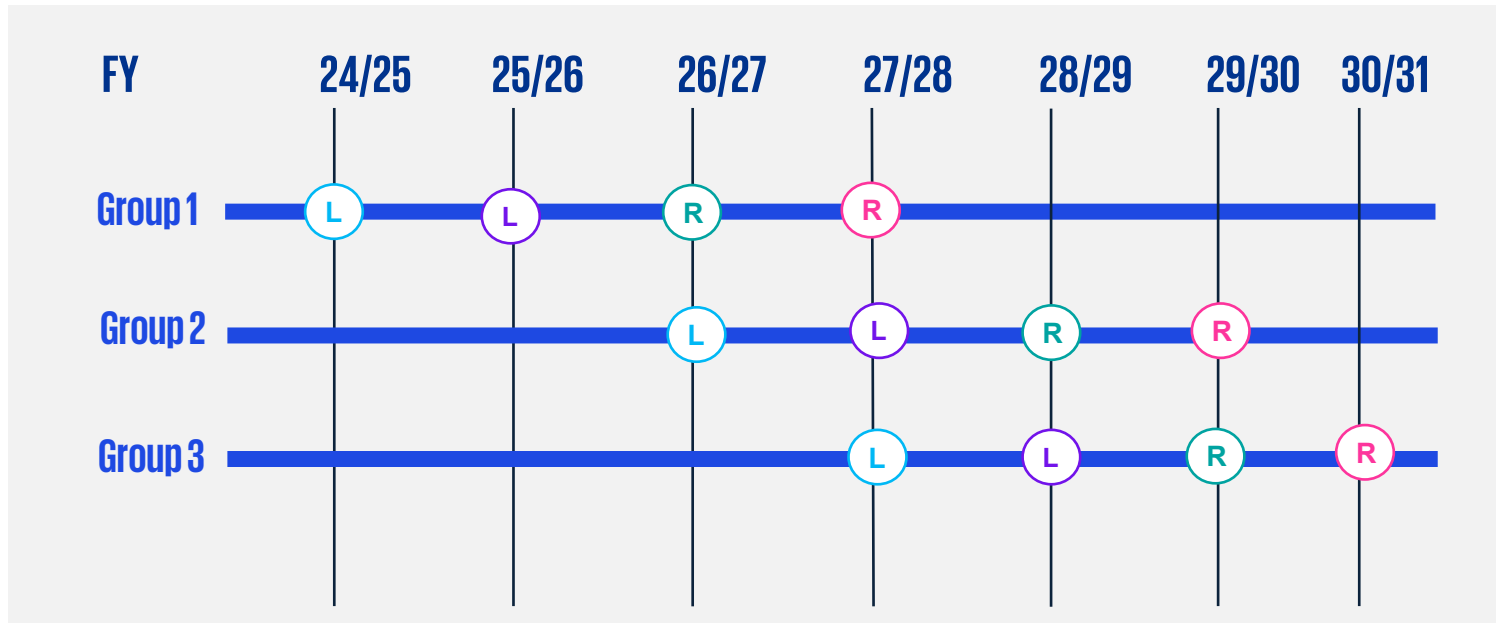
	Gross assets	Revenue	Employees	
<b>Group 1</b> <i>2024-25 onwards</i>	\$1 billion or more	\$500 million or more	> 500	'controlling corporation' under NGER Act and meet NGER publication threshold <sup>1</sup>
<b>Group 2</b> <i>2026-27 onwards</i>	\$500 million or more	\$200 million or more	> 250	
<b>Group 3</b> <i>2027-28 onwards</i>	\$25 million or more	\$50 million or more	> 100	

<sup>1</sup>Regardless of size 'controlling corporation' under NGER Act would be in scope

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## Assurance requirements and timeline

Assurance plays a crucial role in enhancing the credibility of climate-related disclosures. Phasing and scaling of assurance requirements are proposed to ensure sufficient time for capability uplift in meeting the growing demand for climate-related assurance services.



**L** Limited assurance Scope 1 and 2 emissions  
Reasonable assurance of governance disclosures

**L** Reasonable assurance Scope 1 and 2 emissions  
Limited assurance Scope 3 emissions, scenario analysis and transition plans (specific requirements – process/methodology/ assumption assurance)

**R** Reasonable assurance Scope 1 and 2 emissions and other climate disclosures  
Limited assurance Scope 3 emissions, scenario analysis and transition plans (full quantitative assurance)

**R** Reasonable assurance all climate disclosures



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# Reporting framework & liability and enforcement

## Reporting location

Climate disclosures would be required to be published in the annual report.

The requirement to comply with climate disclosure standards would be contained in Part 2M.3 of the *Corporations Act 2001*.

Climate disclosures would be required as part of both the directors' report and the financial report.

For **listed entities**, climate disclosures would be required in the operating and financial review (OFR), within the directors' report.

To improve the readability of annual reports containing climate disclosures

- Entities must include an index table that displays climate disclosure requirements (i.e., governance, strategy, risk management, metrics and targets) and its corresponding disclosure section and page number.
- **Listed entities** may report the proposed 'metrics and targets' standards in a separate report and referenced in the directors' report.

## Frequency and timing of lodgement

The timing of the annual financial report lodgement with ASIC will follow the current requirement.

Timing of lodgement of financial report under section 319 of the *Corporations Act 2001*:

- Disclosing entities and registered managed investment schemes: within **three months** after the end of the financial year.
- All other companies: within **four months** after the end of the financial year.

## Liability and enforcement

### Modified liability approach

Climate disclosures intersect with the current legal framework in various areas including directors' duties, misleading representation provisions and reporting requirements. These requirements are embedded in the *Corporations Act, Australian Securities and Investment Commission Act 2001 (Cth)* and the *Competition and Consumer Act 2010 (Cth)*.

Climate-related financial disclosure requirements would be drafted as **civil penalty provisions** in the Corporations Act.

The application of misleading and deceptive conduct provisions to Scope 3 emissions and forward-looking statements would be **limited to regulator-only actions for a fixed period of three years**.

It is anticipated that the requirement of reasonable grounds is not too high a threshold after three years.

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# Reporting content

Outlined below is the proposed high-level policy direction on the information in-scope entities would be required to disclose. The objective is to offer reporting entities clear guidelines on the specific types of information that should be disclosed to provide useful information for the users. The table below indicates how the reporting content proposals align with the ISSB's new sustainability disclosure standards (IFRS S1 and IFRS S2).

	Proposal	IFRS Sustainability Disclosure Standards
<b>Materiality</b>	Principles of financial statement materiality would apply	Consistent with IFRS S1
<b>Governance</b>	From commencement, companies would be required to disclose information about governance processes, controls and procedures used to monitor and manage climate-related financial risks and opportunities.	Consistent with IFRS S2
	From commencement, reporting entities would be required to use qualitative scenario analysis to inform their disclosures, moving to quantitative scenario analysis by end state.	Consistent with IFRS S2
<b>Strategy</b>	<b>Scenario analysis</b> From commencement, reporting entities would be required to disclose climate resilience assessments against at least two possible future states, one of which must be consistent with the global temperature goal set out in the <i>Climate Change Act 2022</i> .	IFRS S2 requires an entity to use an approach that is commensurate with its circumstances
	From commencement, transition plans would need to be disclosed, including information about offsets, target setting and mitigation strategies.	Consistent with IFRS S2
	<b>Transition planning and climate-related targets</b> From commencement, all entities would be required to disclose information about any climate-related targets (if they have them) and progress towards these targets.	Consistent with IFRS S2

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# Reporting content

	Proposal	IFRS Sustainability Disclosure Standards
<b>Risk and opportunities</b>	From commencement, entities would be required to disclose information about material climate-related risks and opportunities to their business, as well as how the entity identifies, assesses and manages risk and opportunities.	Consistent with IFRS S2
	From commencement, scope 1 and 2 emissions for the reporting period would be required to be disclosed.	Consistent with IFRS S2
<b>Metrics and targets</b>	Disclosure of material scope 3 emissions would be required for all reporting entities from their second reporting year onwards. Scope 3 emissions disclosures made could be in relation to any one-year period that ended up to 12 months prior to the current reporting period.	Consistent with IFRS S2
	By end state, reporting entities would be required to have regard to disclosing industry-based metrics, where there are well-established and understood metrics available for the reporting entity.	Consistent with IFRS S2

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