THE BOTTOM LINE

Issue 20

Welcome to the latest edition of our financial and corporate reporting publication that aims to keep you in the loop with all the latest accounting and financial reporting developments, and the potential impact they may have on your business.

With the Bill that will mandate climate-related financial disclosures progressing through Parliament on its way to becoming law, entities should be gearing up for a new dimension of reporting few are familiar with. In this edition we look at the importance of carbon accounting, a key tool for businesses to understand and reduce their carbon footprint to support broader climate action goals. We also summarise key decisions recently taken by the AASB in aligning with the international climate standard, IFRS S2, a critical development in finalising the Australian-equivalent standard that will be released later this year. We highlight an agenda decision relating to climate-related commitments that could become more prevalent over coming years as entities start to respond to the climate emergency. And finally, with the June reporting season now underway, we remind directors and preparers of matters that may impact their audit readiness and financial report preparation processes.

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SUSTAINABILITY REPORTING

Carbon accounting: An overview

With the Australian Government legislating mandatory climate-related financial disclosures it will bring with it a requirement for certain entities to disclose their Greenhouse Gas (GHG) emissions. Many organisations will need to upskill their boards, management and employees to understand these new concepts. This article outlines what is involved with calculating GHG emissions.

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IFRS S2 *Climate-related Disclosures* requires entities to disclose GHG emissions consistent with methodologies in the GHG Protocol Standards, unless an organisation is required to report under any other jurisdictional authority or exchange. It is likely that the Australian-equivalent of IFRS S2, namely ASRS 2 *Climate-related Financial Disclosures* which is currently being finalised, will require the same.

The GHG Protocol Standards are a global framework developed to measure and manage GHG emissions. The relevant standards to be applied are:

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

The GHG Protocol covers the accounting and reporting of seven GHGs – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O) hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). The seven GHGs are converted and reported as the global warming potential of one unit of CO_2.

THE IMPORTANCE OF CARBON ACCOUNTING

Accounting for your GHG emissions goes beyond just meeting disclosure requirements. Measuring the sources of your emissions enables your organisation to manage GHG risks and identify reduction opportunities. It provides a competitive advantage particularly for businesses that have reporting entities as their customers. Your organisation's Scope 1 and Scope 2 emissions are your customers' Scope 3 emissions. Providing GHG emission information to customers assists them to calculate and disclose their GHG emissions and determine reduction opportunities more accurately. And it may be that customers start to demand this information, without which the continuation of the relationship could be compromised.

THE PROCESS

Boundary setting

Setting organisational boundaries

The first step is to determine which businesses and operations need to be included in your GHG emissions reporting. The GHG protocol sets out two approaches – the equity share approach and control approach. Entities can choose the most appropriate approach for their operations.

Equity share approach is where GHG emissions are accounted for according to the share of equity in an operation.

Control approach requires 100% of GHG emissions to be reported from operations controlled by the organisation. Control is defined as either financial or operational.

- Financial control means having the ability to direct the financial and operating policies of a business or operation. This includes having the right to the majority of the benefits and retaining the majority of the risks.
- Operational control involves having full authority to introduce and implement operating policies within a business or operation.

Setting operational boundaries

The operational boundary defines the relevant scopes to be reported based on the determined organisational boundary and business goals of the organisation.

Australian entities captured by the new climate reporting regime will be required to disclose their gross GHG emissions generated in the reporting period, measured separately as Scope 1, Scope 2 and Scope 3 emissions.

Scope 1: Direct GHG emissions

Direct GHG emissions are from sources owned or controlled by the organisation and include four categories.

- *Generation of electricity, heat or steam* – combustion of fuels in stationery sources such as boilers and furnaces.
- *Physical or chemical processing* – from the manufacture and processing of chemicals and materials such as cement and aluminium.
- *Transportation of materials, products, waste and employees* – combustion of fuels in company

owned or controlled vehicles including cars, trucks and airplanes.

- *Fugitive emissions* – from the release of gases such as hydrofluorocarbon (HFC) emissions from refrigeration and air conditioning equipment.

Scope 2: Electricity indirect GHG emissions

These encompass GHG emissions from the generation of purchased electricity that is consumed in the organisation and can be reported as location-based or market-based.

- Location-based is calculated as the average of the emissions intensity of electricity generation assets inside a specific geographical boundary.
- Market-based is calculated as the actual emission intensity from a direct arrangement with an electricity provider e.g. purchasing power agreement (PPA).

Under IFRS S2, location-based Scope 2 emissions are required to be disclosed, while organisations can choose to disclose market-based emissions if considered useful to users. Again, ASRS 2 is likely to align with these international requirements once finalised.

Scope 3: Other indirect GHG emissions

These are other GHG emissions that occur in the value chain of the organisation both upstream and downstream, from sources not owned or controlled by the company. There are 15 Scope 3 categories included in the GHG Protocol.

Upstream emissions are indirect emissions related to purchased goods and services including material acquisition and pre-processing. There are eight upstream categories being:

1. *Purchased goods and services* – emissions from purchased goods and services not included in other upstream Scope 3 categories.
2. *Capital goods* – emissions from purchased capital goods such as equipment, buildings and vehicles.
3. *Fuel and energy related activities* – not included in Scope 1 and Scope 2.
4. *Upstream transportation and distribution* – transport and distribution of products purchased in vehicles not owned by the reporting entity, purchased inbound and outbound logistics.
5. *Waste generated in operations* – emissions from disposal and treatment of waste generated.
6. *Business travel* – emissions from business travel including air, rail, bus, rental cars and employee-owned cars excluding commuting to work.

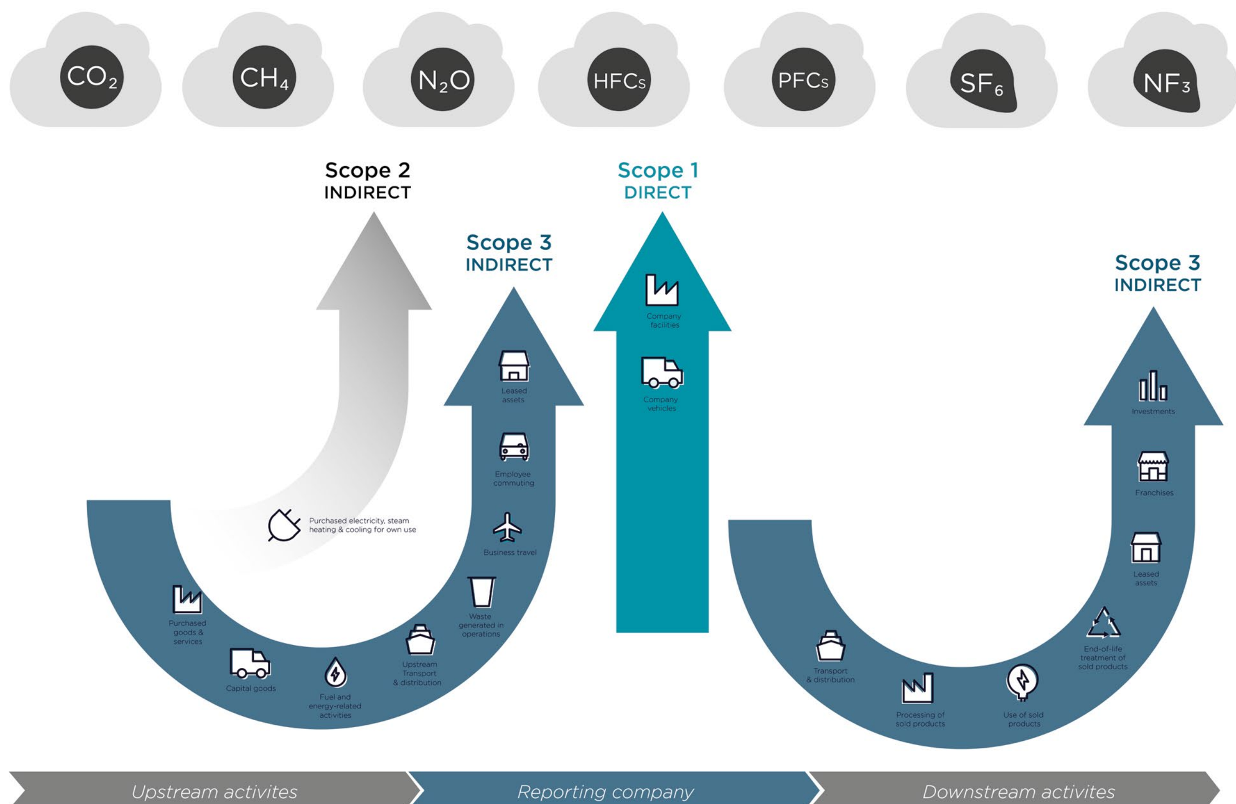
7. *Employee commuting* – emissions from employees commuting by car, bus, rail, air and other transportation.
8. *Upstream leased assets* – operation of assets leased by the entity.

Downstream emissions are indirect emissions relating to sold goods and services, which includes emissions from distribution and storage, use of products and end of life. There are seven downstream categories:

9. *Downstream transportation and distribution* – transportation of products sold between the entity's operations and end consumers.
10. *Processing of sold products* – processing of intermediate products sold.
11. *Use of sold products* – the direct use emissions of sold products over the expected product lifetime.
12. *End of life treatment of sold products* – waste disposal and treatment of products at end of life.
13. *Downstream leased assets* – operation of assets owned by the reporting entity and leased to other entities.
14. *Franchises* – emissions from the operation of franchises not included in Scope 1 and Scope 2.
15. *Investments* – primarily for financial institutions.

Measurement

The final step is to collect data and calculate Scope 1, Scope 2 and the relevant Scope 3 emissions to be disclosed for your organisation. This can be calculated in-house using carbon accounting software or outsourced to a specialised carbon accounting expert. We will explore data collection and calculation in future articles.



Own illustration based on Greenhouse Gas Protocol

AASB changes course to align with ISSB's standards

At its latest board meeting in June, the Australian Accounting Standards Board (AASB) made some key decisions that bring its proposed Australian Sustainability Reporting Standards (ASRSs) more closely in line with the standards issued by the International Sustainability Standards Board (ISSB).

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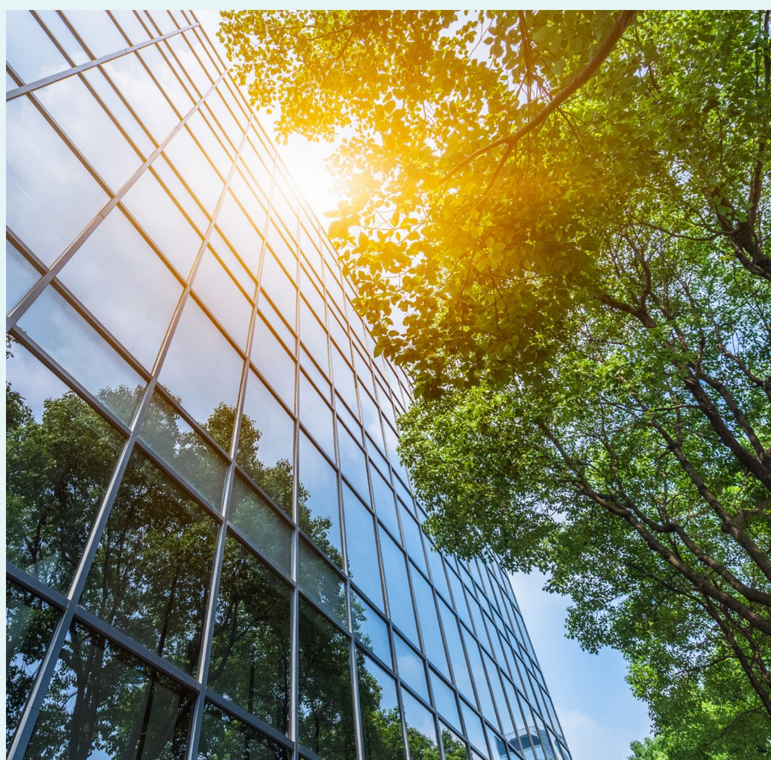
This is in response to stakeholder feedback on draft versions of ASRS 1 *General Requirements for Disclosure of Climate-related Financial Information* and ASRS 2 *Climate-related Financial Disclosures* as exposed in Exposure Draft ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information* issued for public comment in October last year.

Specific decisions taken by the AASB:

- to issue a voluntary ASRS 1 that aligns with IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* to allow entities to make disclosures on sustainability-related topics beyond climate (and possibly state compliance with IFRS Sustainability Disclosure Standards);
- to prepare a mandatory ASRS 2 that would incorporate the necessary requirements contained in ASRS 1 to enable ASRS 2 to operate as a stand-alone, climate-only standard. A subcommittee has been formed to accomplish this;
- to align the following aspects of ASRS 2 with those of IFRS S2:
    i. **scope** – requiring the disclosure of all climate-related risks and opportunities and not only those related to climate change as originally proposed in ASRS 2;
    ii. **cross-industry metrics** – retaining the requirements regarding climate-related metrics and disclosures of internal carbon process, in alignment with IFRS S2;
    iii. **measuring greenhouse gas (GHG) emissions** – adopting the measurement hierarchy in IFRS S2, thereby prioritising the Greenhouse Gas Protocol (GHG Protocol) as opposed to the National Greenhouse and Energy Reporting (NGER) legislation as the default methodology to measure GHG emissions. NGER entities would still be permitted to apply NGER legislation methodologies based on the hierarchy;
    iv. **definition of greenhouse gases** – adopting the seven greenhouse gases as listed in the Kyoto Protocol, as originally proposed;
    v. **CO_2 equivalent conversion for GHG emissions** – aligning the global warming potential (GWP) values with that of IFRS S2 as opposed to the NGER legislation;
    vi. **Scope 2 GHG emissions** – removing the requirement to disclose market-based Scope 2 emissions from the fourth year of reporting, and aligning with the requirements of IFRS S2 under which entities could choose to provide this information if considered useful to users and NGER reporters would disclose market-based emissions if required by legislation to do so;
    vii. **Scope 3 GHG emissions categories** – aligning with IFRS S2 when it comes to disclosing Scope 3 GHG emissions using the 15 categories in the GHG Protocol.

The decisions taken by the AASB are positive in that they limit differences between the ASRSs and their international counterparts. This helps minimise the reporting burden for those entities that operate in multiple jurisdictions.

There are still aspects that need to be discussed before the ASRSs can be finalised. The AASB has indicated it will hold additional meetings in July and August to address these matters.



GLOBAL DEVELOPMENTS

IFRIC agenda decision: Climate-related commitments

The IFRS Interpretations Committee (IFRIC) has issued an agenda decision explaining how to assess whether an entity's commitment to reduce or offset it greenhouse gas (GHG) emissions gives rise to a liability in a specific scenario.

This agenda decision may prove useful for preparers, especially as entities come under increasing legislative and stakeholder pressure to respond to the climate emergency and start to make 'net zero' or similar climate-related commitments.

The fact pattern

In 20X0, a manufacturer of household goods publicly states that it will:

- gradually reduce its annual GHG emissions, reducing them by at least 60% compared to current levels by 20X9; and
- offset its annual remaining emissions in 20X9 and subsequently by purchasing carbon credits (verified removals of carbon) and retiring these from the carbon market.

In support of its public commitment, the entity publishes its transition plan that:

- explains how it will change its manufacturing methods between 20X1 and 20X9 to achieve the 60% reduction in annual emissions by 20X9;
- states the entity will invest in more energy-efficient processes, purchase more renewable energy and replace existing petroleum-based inputs and packaging materials with lower-carbon alternatives in order to meet its emissions reduction targets.

The question

Does the entity have a constructive obligation as a result of its public statements? If so, does this give rise to a provision that must be recognised at the time the entity publicly states its commitments?

The IFRIC's observations and conclusion

A two-part test was applied by the IFRIC in responding to the query.

1. Is there a constructive obligation?

The first thing to consider is whether the entity's public statement creates a constructive obligation.

While AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* states that an entity can create an obligation through its actions (such as publicly making a statement), such actions must create a valid expectation that the entity will discharge the responsibilities it has accepted for it to be considered a constructive obligation.

In this scenario, assessing whether the entity's public statement is sufficiently specific to create a valid expectation that the entity will fulfill its commitments as announced, will involve judgement. The specific facts and circumstances (which may change over time) will need to be considered, including the nature of the statement and whether it is supported by formally approved and sufficiently detailed plans.

Only if it is assessed that there is a constructive obligation will the second part of the test need to be considered.

2. Does the constructive obligation give rise to a provision?

A constructive obligation does not automatically result in a liability. For a provision to be recognised, the following criteria must be met:

- a present obligation as a result of a past event must exist;
- it is probable that an outflow of cash or other resources will be needed to settle this obligation; and
- the related amount must be capable of being reliably estimated.

Assuming a constructive obligation exists because of the entity's public statement, the IFRIC concluded:

- No provision is required in 20X0 when the entity makes the statement. At this point, there has been no past event that triggers a present obligation. Simply stating a commitment is not an event that creates a present obligation. The event that creates a present obligation is the event to which the statement applies, and such an event has not occurred at the time the entity states its commitment. Importantly, the costs that will be incurred to reduce the entity's annual GHG emissions and to offset the greenhouse gases it emits from 20X9 and beyond are costs that it will need to incur to operate in the future. The obligations for these costs do not exist independently of the entity's future actions.
- Only when the entity emits the greenhouse gases that it has committed to offset will it have a present obligation because of a past event (the past event being emitting greenhouse gases). An obligation arises at this point (i.e. 20X9 and beyond) to acquire carbon credits to offset these emissions.

At the time the provision is recognised in 20X9, a corresponding debit is recognised as an expense rather than an asset, unless such an amount gives rise to, or forms part of, the cost of an item that qualifies for recognition as an asset in accordance with IFRS Accounting Standards.

"While AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* states that an entity can create an obligation through its actions (such as publicly making a statement), such actions must create a valid expectation that the entity will discharge the responsibilities it has accepted for it to be considered a constructive obligation."

30 JUNE REPORTING SEASON

As directors and finance teams read this, they are probably in the throes of financial statement and audit readiness preparation for the 30 June 2024 reporting season. Below, we aim to remind directors and finance teams of key financial reporting developments they may need to consider in the process.

New standards and interpretations

Unless your entity is an insurer or enters into contracts that fall within an 'insurance contract' as defined in AASB 17 *Insurance Contracts*, the changes below that may impact 30 June 2024 reporting periods should not cause too much disruption for finance teams.

Standard / Amending standard	Effective date
Full years ended 30 June 2024	
AASB 17 *Insurance Contracts and associated amending standards*	1 January 2023
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* / AASB 2021-6 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards*	1 January 2023
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules* / AASB 2023-4 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures*	1 January 2023
Half years ended 30 June 2024	
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* / AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*	1 January 2024
AASB 2022-5 *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*	1 January 2024
AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*	1 January 2024
AASB 2023-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements* / AASB 2024-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures*	1 January 2024

AASB 17: Non-insurers should not overlook this standard

AASB 17 *Insurance Contracts* supersedes AASB 4 *Insurance Contracts* and fundamentally changes the way insurance contracts are accounted for.

Non-insurers may have given the new insurance standard very little thought on the basis that it will not apply to them. While this may be true in many cases, AASB 17 should not be completely ignored as some contracts that non-insurers enter into on a regular basis may fall within the scope of this complex new standard. This is because AASB 17 applies to insurance contracts regardless of the entity that issues them.

Refer to our AASB 17 series specifically aimed at non-insurers for further information:

- Part 1: What is an insurance contract?
- Part 2: Insurance contracts explicitly carved out of AASB 17
- Part 3: Product warranties
- Part 4: Optional scope exemptions

AASB 2021-2: Improving accounting policy disclosures (and decluttering financial reports)

This narrow scope amendment to AASB 101 *Presentation of Financial Statements* requires entities to disclose 'material' accounting policy information rather than 'significant' accounting policies.

'Significant' is not defined in authoritative accounting literature. Consequently, divergent views as to what constitutes a significant accounting policy has led to ineffective accounting policy disclosures in practice. The result has been lengthy financial reports that contain excessive and irrelevant information, information that is not sufficiently entity-specific, or too much information that obscures important information.

'Material', on the other hand, is a concept that both preparers and users are quite comfortable with. It therefore makes sense that materiality be applied when deciding which accounting policies to include in a financial report.

The revised standard explains that accounting policy information that relates to immaterial transactions, other events or conditions need not be disclosed on the basis that it is immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. For example, standardised information or information that only regurgitates or summarises the requirements of accounting standards are less useful to financial statement users.

Guidance has been added to AASB 101 to explain that accounting information is likely to be material if it relates to material transactions, other events or conditions, **and** the accounting policy:

- has changed during the period (e.g., adopting a new accounting standard, such as AASB 17, during the period)
- is one of a choice of options allowed under accounting standards (e.g., measuring investment property at cost or fair value)
- has been developed applying the hierarchy in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* in the absence of specific accounting guidance that applies in the circumstances (e.g., accounting for business combinations under common control)
- requires the use of significant judgements or assumptions in its application (e.g., applying the requirements of AASB 15 *Revenue from Contracts with Customers*) or
- pertains to complex accounting and is needed by users to understand the transaction (e.g., accounting for convertible notes).

The amendments to AASB 101 do not affect the disclosures required to be made under other standards. For example, an entity may conclude that it has no material accounting policy information to disclose regarding investment property (on the basis the policy would just repeat the standard requirements of the standard), however, if material, the entity must still disclose the information required by AASB 140 Investment Property.

AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* has also been amended to ensure entities preparing Tier 2 financial statements are required to disclose only those accounting policies that are material.

AASB 2021-5: Deferred tax assets and liabilities arising from a single transaction

The amendments change AASB 112 *Income Taxes* by clarifying the accounting for deferred tax on transactions that give rise to equal taxable and deductible temporary differences at the time of the transaction. Examples of such transactions are leases (in the books of the lessee), decommissioning and restoration obligations, and make-good provisions.

In specific instances, entities are not required to recognise deferred tax on assets and liabilities, both on initial recognition and subsequently over the life of the asset / liability. This is known as the initial recognition exemption, or IRE. The amendments introduced by AASB 2021-5 confirm that this IRE cannot be applied to transactions that give rise, on initial recognition, to both an asset and a liability with equal taxable and deductible temporary differences.

AASB 2022-6: Classification of loans subject to compliance with covenants

A borrower's right to defer settlement of a loan often depends on compliance with specified conditions. For example, a long-term loan could become immediately repayable if the entity fails to achieve a working capital ratio above a certain level at a specified date.

The amendments introduced by this amending standard clarify that only covenants that must be complied with *on or before* the reporting date affect classification of loans at reporting date.

Where non-current loans are subject to compliance with covenants after the reporting date, the future covenants are essentially ignored for the purpose of assessing classification at reporting date. However, information that enables users of financial statements to understand the risk of those loans becoming repayable within 12 months after the reporting period must be disclosed in the notes. These disclosure requirements are new and include:

- information about the covenants such as the nature of the covenants and when compliance with them is required;
- the carrying amounts of related liabilities; and
- facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants.

Other changes made to AASB 101 (via amending standard AASB 2020-1) clarify:

- what is meant by a right to defer settlement;
- that a right to defer must exist at the end of the reporting period and have substance;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

Similar amendments have been made to AASB 1060 to align the guidance that entities preparing Tier 2 financial statements must apply when classifying liabilities as current or non-current.

New consolidated entity disclosure statement

From 1 July 2023, public companies that prepare consolidated financial statements under Chapter 2M of the Corporations Act 2001 are required to make specific disclosures about the subsidiaries that make up the consolidated group. This applies to both listed and unlisted public companies.

The consolidated entity disclosure statement (CEDS) is part of the Federal Government's broader reforms to enhance transparency about how entities structure their subsidiaries and operate in different jurisdictions, including for tax purposes.

The CEDS is a new requirement under s295 of the Corporations Act 2001, being the section that deals with the contents of an annual financial report. Accordingly, an annual financial report now comprises the following:

- The financial statements for the year
- Notes to the financial statements
- The consolidated entity disclosure statement (for public companies)
- The directors' declaration about the statements and the notes.

The extent of the disclosures to be made within the CEDS will depend on the consolidation requirements applicable to the public company in question.

Where a public company is required to prepare consolidated financial statements under accounting standards, the following information about each entity that is part of the consolidated entity must appear in the CEDS (i.e. the parent entity and each of its subsidiaries, both directly and indirectly owned):

- The entity's name
- Whether the entity is a body corporate, partnership or trust
- Whether the entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity
- Where the entity was incorporated or formed (if the entity is a body corporate)
- Where the entity is a body corporate with share capital, the percentage of the entity's issued share capital held directly or indirectly, by the public company
- Whether the entity was an Australian resident or a foreign resident within the meaning of the Income Tax Assessment Act 1997
- If the entity is a foreign resident, a list of each foreign jurisdiction in which the entity was a resident for the purposes of the law of the foreign jurisdiction.

Note that comparative information is not required for purposes of the CEDS.

Where a public company does not have to prepare consolidated financial statements under Australian Accounting Standards, a statement to this effect must be included in the CEDS.

The amendments also impact the directors' declaration. Directors are required to make a statement that the information disclosed in the CEDS is 'true and correct'. The same applies to CEOs and CFOs of listed public companies in their declaration to the directors, as required by s295A of the Corporations Act 2001.

'True and correct' is not defined in the legislation. Being tax terminology, and considering the CEDS is a tax transparency measure that has been introduced into the Corporations Act 2001, we believe that the words take on their ordinary meaning of 'complete and accurate'. This is different to the 'true and fair' concept that is used when preparing financial statements under accounting standards. On this basis, materiality does not apply when preparing the CEDS.

In terms of where the CEDS should be located within the annual financial report, our view is that it should be a separate statement, presented after the notes to the financial statements and before the audit report. There is overlap between the information required in the CEDS and the information disclosed in the notes under AASB 12 *Disclosures of Interests in Other Entities*. However, considering that 'true and correct' applies to the preparation of the former and 'true and fair' to the preparation of the latter, it is recommended to keep the CEDS separate.

Since the CEDS forms part of the financial report, it will be subject to audit.

The changes apply for the first time to annual financial reporting periods beginning on or after 1 July 2023, therefore public companies will need to move quickly to ensure they meet the new requirements when preparing their 30 June 2024 annual financial reports.

In preparation for year end reporting, impacted entities should consider their group structures and implement the necessary processes to gather, verify and document the information that supports the CEDS as well as the 'true and correct' declaration made by the directors (and CEO and CFO, where applicable). This may involve the use of tax experts to determine the tax residency of subsidiaries which can be complex.

ASIC focus areas

As always, directors and preparers should pay attention to those financial reporting areas the corporate watchdog, ASIC, will focus on for the current reporting season, and ensure they have appropriately addressed these matters in their financial reports.

ASIC reminds preparers, directors and auditors that they have a shared responsibility to pay attention to the focus areas and to improve financial reporting and audit quality.

ASIC's latest focus area announcement outlines those areas that have not changed from previous reporting periods but continue to be on ASIC's radar. ASIC now refers to these as enduring focus areas. These are:

- asset values (which includes impairment)
- adequacy of provisions
- subsequent events, and
- disclosures.

Details regarding the above enduring focus areas can be found on ASIC's financial reporting and audit focus areas web page.

Specific matters flagged by ASIC for the 30 June 2024 reporting season are the following:

Previously grandfathered companies

Large proprietary companies that were previously exempt from lodging financial statements with ASIC are in their second year of having to do so. Such financial statements must be general purpose financial statements that comply with all the recognition and measurement requirements of Australian Accounting Standards (including the consolidation requirements), and the disclosure requirements prescribed by AASB 1060, at a minimum.

ASIC has explicitly stated that such companies will be included in ASIC's surveillance program considering the size of many of them, and the public interest they draw from many stakeholders.

Registrable superannuation entities

Superannuation entities are, for the first time, required to lodge audited financial reports under Chapter 2M of the Corporations Act 2001. Such financial reports must be lodged within three months of a fund's financial year end.

Climate-related risks

ASIC Commissioner, Kate O'Rourke, says "Directors need to be aware of the impending developments in climate-reporting. The first tier of companies is proposed to report for financial years commencing from 1 January 2025. Directors and entities should start preparing and putting into place the necessary governance arrangements. They should consider what capabilities and data requirements may be needed."

In the meantime, ASIC continues to encourage entities to voluntarily apply the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) where they have material climate-related risks and opportunities.

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