

**PREPARING FOR  
MANDATORY CLIMATE-RELATED  
DISCLOSURES**  
GROUP 2 ENTITIES



ADVISORY AND ACCOUNTING

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On 17 September 2024, the *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024* became law, phasing in mandatory climate-related disclosures for in-scope companies from 1 January 2025. Here is what you need to know and why you need to start preparing now.

### SCOPE AND TIMING OF REPORTING

A three-phased approach will be used to implement mandatory climate-related financial disclosures for entities that submit financial reports under Chapter 2M of the *Corporations Act 2001* and fall within any of the categories below:

|                            | CONSOLIDATED REVENUE | CONSOLIDATED GROSS ASSETS | NUMBER OF EMPLOYEES | NGER** REPORTERS                 | ASSET OWNERS***                         |
|----------------------------|----------------------|---------------------------|---------------------|----------------------------------|---|
| GROUP 1<br>1 JANUARY 2025* | \$500 M +            | \$1 B +                   | 500 +               | Above NGER publication threshold | Scoped out of Group 1                   |
| GROUP 2<br>1 JULY 2026*    | \$200 M +            | \$500 M +                 | 250 +               | All other NGER reporters         | \$5 B + assets under management         |
| GROUP 3<br>1 JULY 2027*    | \$50 M +             | \$25 M +                  | 100 +               | Not applicable                   | Refer to Group 3 thresholds to the left |

MEETS 2 OUT OF THE 3 THRESHOLDS

\*First annual reporting period starting on or after  
 \*\*National Greenhouse and Energy Reporting  
 \*\*\*Registered schemes, RSEs and retail CCIVs

### DISCLOSURE REQUIREMENTS

Reporting entities will be required to make climate-related financial disclosures in line with AASB S2 Climate-related Disclosures issued by the Australian Accounting Standards Board.

Core disclosures will include information about:

- Governance processes, controls and procedures to monitor and manage climate-related risks and opportunities (CROs)
- The strategy to manage CROs, including scenario analysis and climate change resilience assessments
- The risk management processes for identifying, assessing, prioritising and monitoring CROs
- Scope 1, 2 and 3 greenhouse gas (GHG) emissions
- The financial impacts of CROs in the relevant reporting period and anticipated future impacts
- Metrics and targets used to measure performance and track progress in relation to CROs.

### LOCATION OF DISCLOSURES

Climate disclosures will be included in a new sustainability report within an entity's annual financial report. This is in addition to the currently required directors' report, financial report and auditor's report.

The sustainability report will consist of:

- a climate statement prepared under Australian Sustainability Reporting Standards
- notes to the climate statement (if any)
- a directors' declaration regarding the statement and notes.

## AUDIT AND ASSURANCE

Similar to financial reports, sustainability reports will be subject to external audit processes to enhance the accuracy and credibility of disclosures.

The level and extent of assurance requirements will gradually expand over time, with the end state being reasonable assurance over all climate disclosures from 1 July 2030 for all entities reporting under the new regime. Assurance requirements are likely to progress as follows over the first four years of reporting:

|  | Year 1  | Year 2     | Year 3     | Year 4     |
|--|---------|------------|------------|------------|
| Scope 1 & 2 emissions                              | Limited | Reasonable | Reasonable | Reasonable |
| Governance   |         | Limited    | Limited    |            |
| Strategy – Risks & opportunities*                  |         |            |            |            |
| Climate resilience assessments / scenario analysis | None    | Limited    | Limited    |            |
| Transition plans                                   |         | Reasonable |            |            |
| Risk management                                    | N/A     |            |            |            |
| Climate-related metrics & targets                  |         |            |            |            |
| Scope 3 emissions                                  |         |            |            |            |

\* The phasing for assurance over statements where there are no material climate-related risks & opportunities is the same as for Strategy – Risks & opportunities

## CLIMATE REPORTING TIMELINE

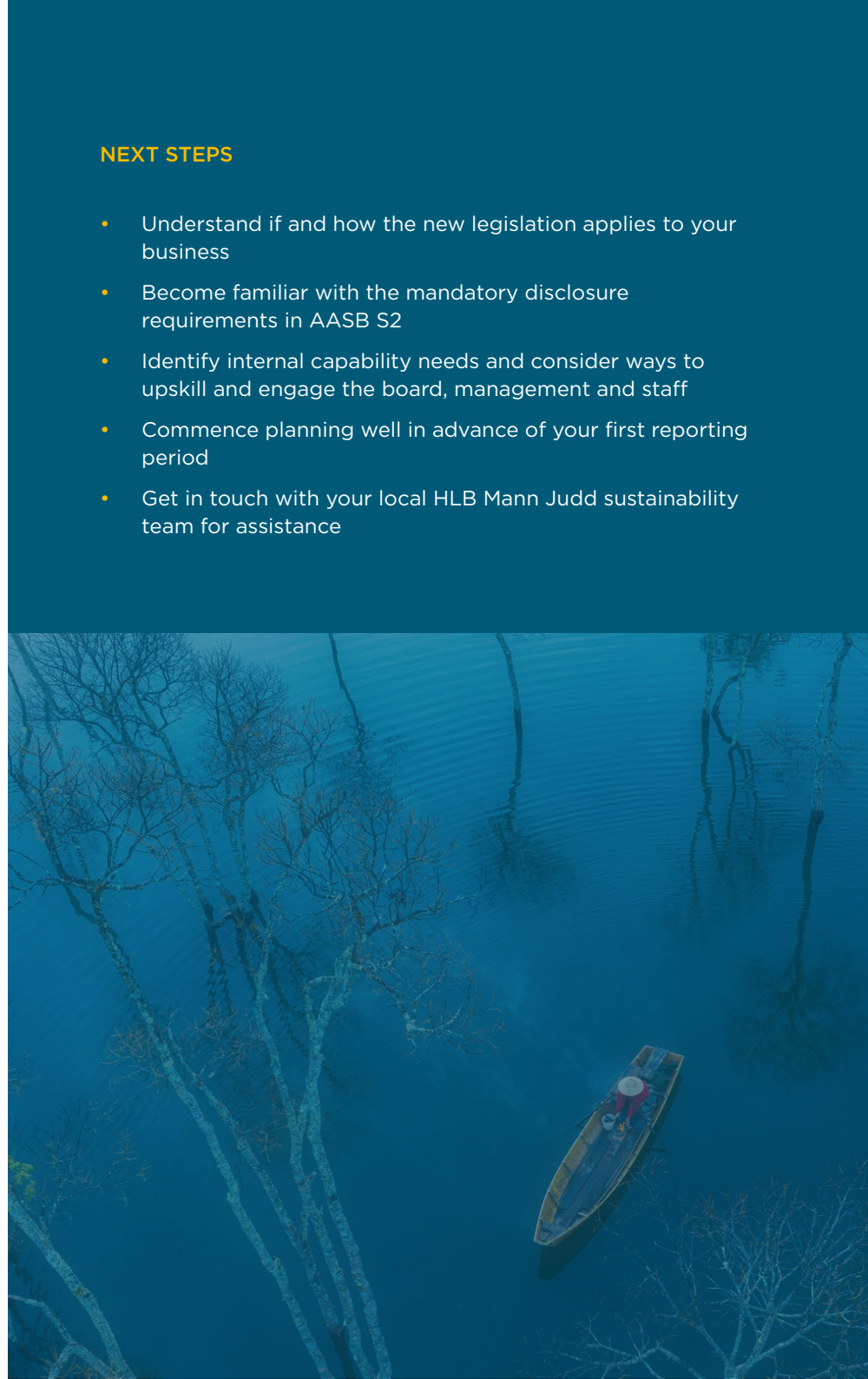
For many entities, this will be their first interaction with sustainability-related disclosures. Adequately preparing for this transformative process will take time.

Developing a reporting timeline will serve as a helpful starting point to get things moving. This involves understanding your mandatory reporting requirements and when they commence, and then mapping out the steps you need to take to ensure you will be ready to begin reporting. Taking this proactive approach will inform your engagement process across the business and help identify and plan the resources needed.

Overleaf, we provide a high-level example of what a timeline could look like for **Group 2** entities that are required to commence climate reporting for financial years beginning on or after **1 July 2026** (i.e., FY27 for June and December reporters).

## NEXT STEPS

- Understand if and how the new legislation applies to your business
- Become familiar with the mandatory disclosure requirements in AASB S2
- Identify internal capability needs and consider ways to upskill and engage the board, management and staff
- Commence planning well in advance of your first reporting period
- Get in touch with your local HLB Mann Judd sustainability team for assistance



## GROUP 2 ENTITIES - CLIMATE REPORTING TIMELINE

| SPECIFIC CLIMATE-RELATED DISCLOSURE  | FY25   | FY26   | FY27  | FY28  |
|--------------------------------------|--|--|---|---|
| <b>GOVERNANCE</b>                    | <p>Upskill board &amp; management on climate reporting requirements</p> <p>Establish appropriate sustainability governance structure &amp; framework</p>   | <p>Link board &amp; management KPIs to climate action plan</p> <p>Get assurance-ready by preparing &amp; reviewing draft governance disclosures</p>  | <p>Make required disclosures in sustainability report in accordance with AASB S2 <i>Climate-related Disclosures</i></p> <p>Governance and material risks &amp; opportunities disclosures subject to limited assurance this year</p> | <p>All Governance, Strategy, &amp; Risk Management disclosures subject to limited assurance this year</p> |
| <b>STRATEGY</b>                      | <p>Engage key stakeholders &amp; conduct materiality assessment to identify material CROs</p> <p>Undertake climate resilience assessment</p> <p>Develop action plan that outlines how the entity will transition its strategy &amp; operations to achieve net zero commitments</p>   | <p>Refine materiality assessment, scenario analysis &amp; climate action plan based on updated data</p> <p>Update organisational strategy to include CROs</p> <p>Get assurance-ready by preparing &amp; reviewing draft strategy disclosures</p> |   |   |
| <b>RISK MANAGEMENT</b>               | <p>Establish process &amp; policies to identify, assess, prioritise and monitor CROs</p>   | <p>Update risk register to include climate risks &amp; plan for regular review</p>   |   |   |
| <b>METRICS &amp; TARGETS</b>         |  |  |   |   |
| <b>Scope 1 &amp; 2 GHG emissions</b> | <p>Establish emissions baseline</p> <ul style="list-style-type: none"> <li>• Set organisational boundary (equity vs control approach)</li> <li>• Identify relevant activities emitting GHGs</li> <li>• Collect data</li> <li>• Translate data to an emissions output</li> </ul> <p>Set Scope 1 &amp; 2 reduction targets</p> | <p>Refine emissions calculation processes and data by using more actual than proxy data</p> <p>Get assurance-ready by preparing &amp; reviewing draft Scope 1 &amp; 2 disclosures</p>  | <p>Report Scope 1 &amp; 2 emissions in sustainability report - subject to limited assurance this year</p>   | <p>Scope 1 &amp; 2 disclosures subject to reasonable assurance this year</p>                              |
| <b>Scope 3 GHG emissions</b>         | <p>Establish emissions baseline</p> <ul style="list-style-type: none"> <li>• Set organisational boundary (equity vs control approach)</li> <li>• Identify relevant activities emitting GHGs across your supply chain</li> <li>• Collect data</li> <li>• Translate data to an emissions output</li> </ul>                     | <p>Refine emissions calculation processes and data by, for example, engaging with key suppliers to obtain actual emissions data and reduction plans</p> <p>Set Scope 3 reduction targets</p>   | <p>Get assurance-ready by preparing &amp; reviewing draft Scope 3 disclosures</p>   | <p>Report Scope 3 emissions in sustainability report - subject to limited assurance this year</p>         |

## ABOUT HLB MANN JUDD

The HLB Mann Judd Australasian Association consists of 11 member firms and two representative firms across Australia, New Zealand and Fiji. It represents a group of specialists providing business advice and services to a wide range of business organisations and private clients.

HLB Mann Judd is a member of HLB International, the global advisory and accounting network. HLB has a history of innovation, collaboration and is dedicated to helping clients grow across borders. Through the power of 46,755 professionals across 157 countries, HLB combines local expertise and global capabilities to service clients' needs.

## OUR PURPOSE

At HLB, it's our purpose to make a positive and sustainable impact on the future of our clients, our people and our communities, because we care about their well-being and success. Driven by our shared values and behaviours, we collaborate across the globe and find innovative ways to fulfil this purpose.

## ESG & SUSTAINABILITY

Our ESG specialists help clients to develop and implement sustainability strategies that align with their short, medium and long-term goals and values.

Some of the ways we assist organisations in improving their ESG credentials include:

- ESG assessments and roadmaps, including baseline measurements, goal setting and ongoing monitoring
- GHG emissions measurement, including ongoing monitoring, setting of targets, engaging suppliers and implementing decarbonisation strategies
- Sustainability reporting, disclosure and associated assurance
- ESG advisory services, including supply chain reviews, evaluating investments or partnerships and integration of ESG into financial reporting and planning
- Corporate governance, risk management and board advisory services.

Learn more about HLB Mann Judd and our services: [hlb.com.au/services/advisory/esg-sustainability](https://hlb.com.au/services/advisory/esg-sustainability)



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