PREPARING FOR MANDATORY CLIMATE-RELATED DISCLOSURES

GROUP 3 ENTITIES

HLB MANN JUDD
ADVISORY AND ACCOUNTING

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TOGETHER WE MAKE IT HAPPEN

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 1 JANUARY 2025*	$500 M +	$1 B +	500 +		Above NGER publication threshold		Scoped out of Group 1
GROUP 2 1 JULY 2026*	$200 M +	$500 M +	250 +	OR	All other NGER reporters	OR	$5 B + assets under management
GROUP 3 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.

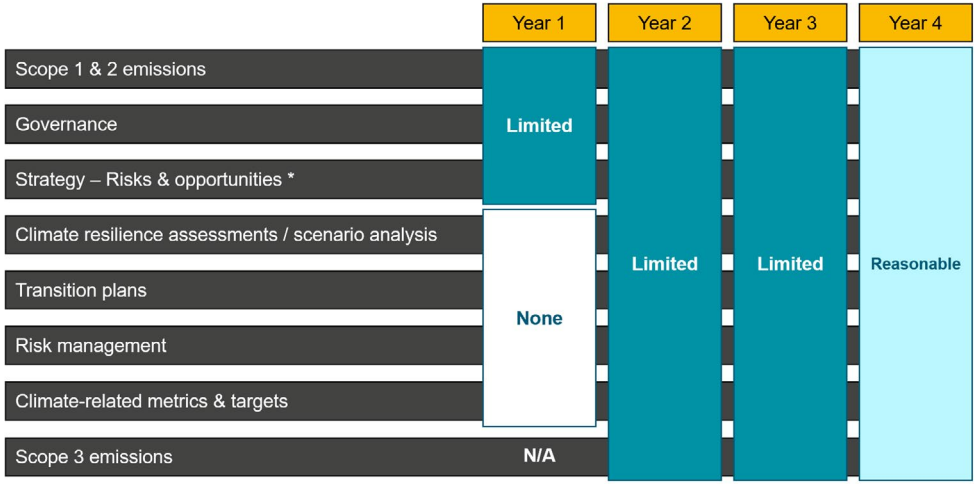
The sustainability report will consist of:

- 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 will progress as follows over the first four years of reporting:



* Limited to the identification of climate-related risks and opportunities (i.e. subparagraphs 9(a), 10(a) and 10(b) of AASB S2 *Climate-related Disclosures*

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 3** entities that are required to commence climate reporting for financial years beginning on or after **1 July 2027** (i.e., FY28 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 3 ENTITIES - CLIMATE REPORTING TIMELINE

SPECIFIC CLIMATE-RELATED DISCLOSURE	FY25	FY26	FY27	FY28	FY29
GOVERNANCE	Upskill board & management on climate reporting requirements Establish appropriate sustainability governance structure & framework	Link board & management KPIs to climate action plan	Get assurance-ready by preparing & reviewing draft governance disclosures	Make required disclosures in sustainability report in accordance with AASB S2 *Climate-related Disclosures* Governance and material risks & opportunities disclosures subject to limited assurance this year	All Governance, Strategy, & Risk Management disclosures subject to limited assurance this year
STRATEGY	Engage key stakeholders & conduct materiality assessment to identify material CROs Undertake climate resilience assessment Develop action plan that outlines how the entity will transition its strategy & operations to achieve net zero commitments	Refine materiality assessment, scenario analysis & climate action plan based on updated data Update organisational strategy to include CROs	Continue to refine materiality assessment, scenario analysis & climate action plan based on updated data Get assurance-ready by preparing & reviewing draft strategy disclosures		
RISK MANAGEMENT	Establish process & policies to identify, assess, prioritise and monitor CROs	Update risk register to include climate risks & plan for regular review	Get assurance-ready by preparing & reviewing draft risk management disclosures		
METRICS & TARGETS					
Scope 1 & 2 GHG emissions	Establish emissions baseline • Set organisational boundary (equity vs control approach) • Identify relevant activities emitting GHGs • Collect data • Translate data to an emissions output	Refine emissions calculation processes and data by using more actual than proxy data Set Scope 1 & 2 reduction targets	Continue to refine emissions calculation processes & data by using more actual than proxy data Get assurance-ready by preparing & reviewing draft Scope 1 & 2 disclosures	Report Scope 1 & 2 emissions in sustainability report - subject to limited assurance this year	Scope 1 & 2 disclosures subject to reasonable assurance this year
Scope 3 GHG emissions	Establish emissions baseline • Set organisational boundary (equity vs control approach) • Identify relevant activities emitting GHGs across your supply chain • Collect data • Translate data to an emissions output	Refine emissions calculation processes and data by, for example, engaging with key suppliers to obtain actual emissions data and reduction plans	Set Scope 3 reduction targets	Get assurance-ready by preparing & reviewing draft Scope 3 disclosures	Report Scope 3 emissions in sustainability report - subject to limited assurance this year

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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

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CONTACT US

MICHELLE WARREN
Director of Financial & Corporate Reporting
E: mwarren@hlbvic.com.au
AUSTRALASIA

REBECCA ZUROMSKI
Associate - Director
E: rzuromski@hlbsa.com.au
ADELAIDE

TRAVIS RICKARD
Partner - Audit & Assurance
E: trickard@hlbsa.com.au
ADELAIDE

CHEW MAR
Director - Risk Advisory
E: cmar@hlbqld.com.au
BRISBANE

ADAM BRADFIELD
Partner - Audit & Assurance
E: abradfield@hlbgcnc.com.au
LISMORE & ROBINA

MICHAEL GUMMERY
Partner - Audit & Assurance
E: mgummery@hlbvic.com.au
MELBOURNE

DAVID HEALY
Partner - Corporate & Audit Services
E: dhealy@hlbwa.com.au
PERTH

NICHOLAS GUEST
Partner - Assurance & Advisory
E: nguest@hlbnsw.com.au
SYDNEY