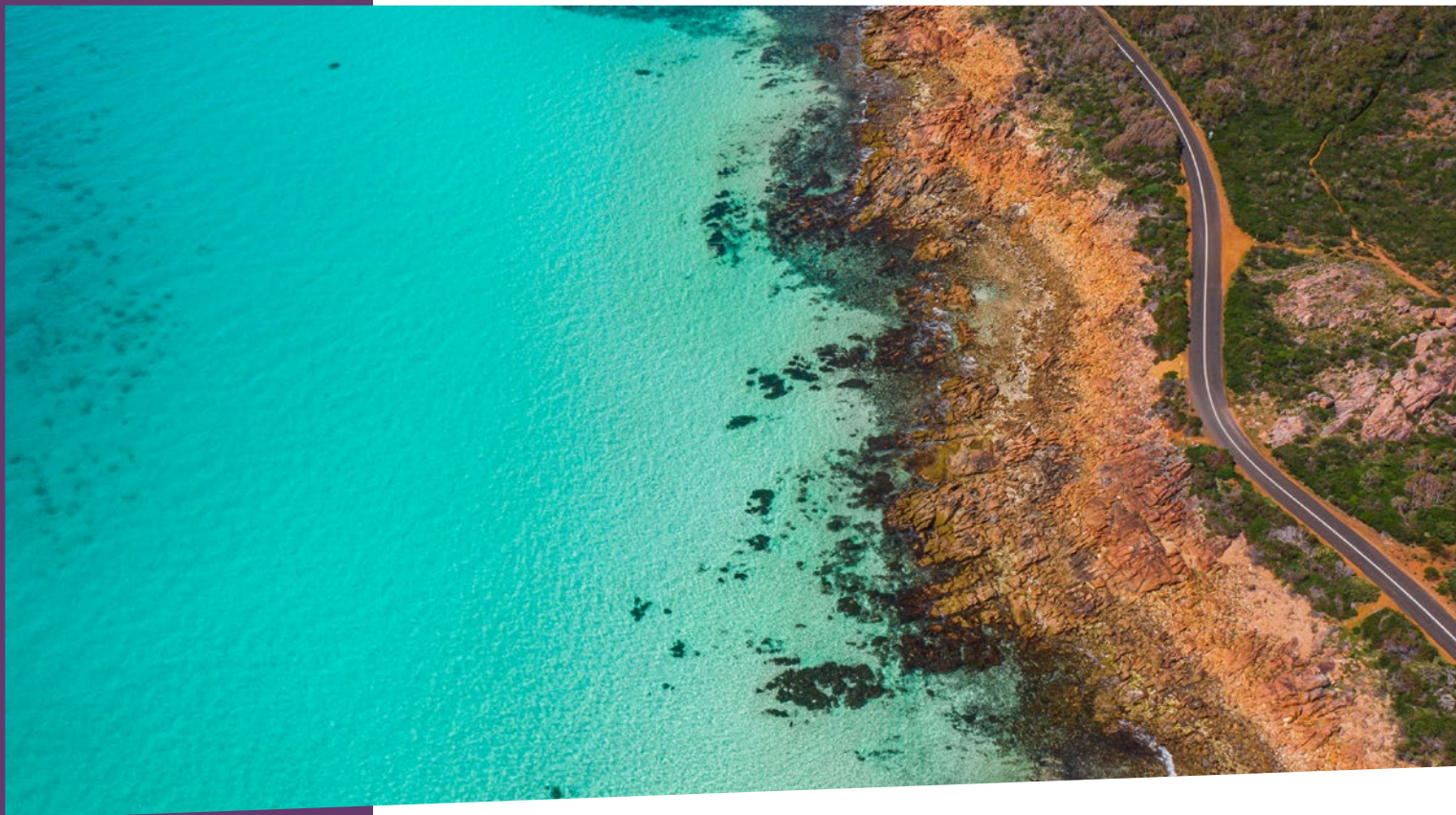


ESV

Australia's long-awaited climate-related financial disclosure regime is now law



These reforms mark a fundamental recalibration of ESG expectations, elevating climate disclosures to the same standard as financial reporting.

From 1 January 2025, many large Australian entities will need to include a Sustainability Report. The report will sit alongside the financial report, directors' report and auditor's report and, over time, will be subject to assurance and ASIC oversight. AASB S2 will be mandatory where an entity is required to prepare a sustainability report, while AASB S2 may be adopted voluntarily.

Australia's long-awaited climate-related financial disclosure regime is now law

Under the new section 292A of the Corporations Act 2001, a Sustainability Report is required where an entity already prepares a Ch 2M financial report and meets the following thresholds:

	[1] Corporate size threshold Large entities and their controlled entities meet at least two of three criteria:			[2] Emissions threshold	[3] Value of assets threshold (Registered schemes, Registrable superannuation entities and retail CCIVs)	When will reporting begin?
	Consolidated revenue (For the financial year)	Consolidated gross assets (As at the end of the financial year)	Number of employees (As at the end of the financial year)	National Greenhouse Energy Reporting (NGER) reporters		
Group 1	\$500 million or more	\$1 billion or more	500 or more	Above NGER publication threshold	N/A	First annual reporting periods beginning on or after 1 January 2025
Group 2	\$200 million or more	\$500 million or more	250 or more	All other NGER reporters	\$5 billion or more value of assets OR meet other Group 2 categories	First annual reporting periods beginning on or after 1 July 2026
Group 3	\$50 million or more	\$25 million or more	100 or more	N/A	Refer to Group 3 corporate reporting thresholds (see left)	First annual reporting periods beginning on or after 1 July 2027
	Section 292A (3)	Section 292A (3)	Section 292A(3)	Section 292A (5)	Section 292A (6)	

What disclosures must be made?

The Sustainability Report must comply with the newly released AASB S2 Climate-related Disclosures. These disclosures specifically focus on the following:

- Governance**
The processes, controls and procedures used to monitor and manage climate risks
- Strategy**
The climate-related risks and opportunities and potential effects of these strategies of a business
- Risk management**
The relevant processes used to identify, assess and manage climate-related risks.
- Metrics and targets**
Scope 1, scope 2 and scope 3 targets emitted by an entity, as well as climate-related targets e.g. net-zero by 2050.

What does this all mean for private groups?

These reforms represent a fundamental recalibration of ESG expectations. Climate-related disclosures are set to be held to the same standard of rigour and reliability as financial statements, with an increasing emphasis on audit assurance.

Entities that are not directly subject to AASB S2, due to not meeting the applicable reporting thresholds, may still be affected indirectly. Those operating within supply chains or broader value chains of entities that are required to report – may face requests to provide climate-related data. This is particularly relevant where reporting entities need input to satisfy their own disclosure obligations. As a result, smaller entities may find it necessary to establish climate reporting capabilities to support the compliance requirements of their larger customers, partners, or stakeholders.

Next steps

- > **Get familiar** with the [Australian sustainability reporting framework](#), now in place.
Understand when the reporting requirements apply to you.
- > **Start planning** by performing a gap analysis and utilising the ESV sustainability reporting roadmap, [ESV ESG Roadmap](#)
- > **Keep up to date** on further guidance or relief measures released by ASIC – we will also keep our clients up to date with changes.

