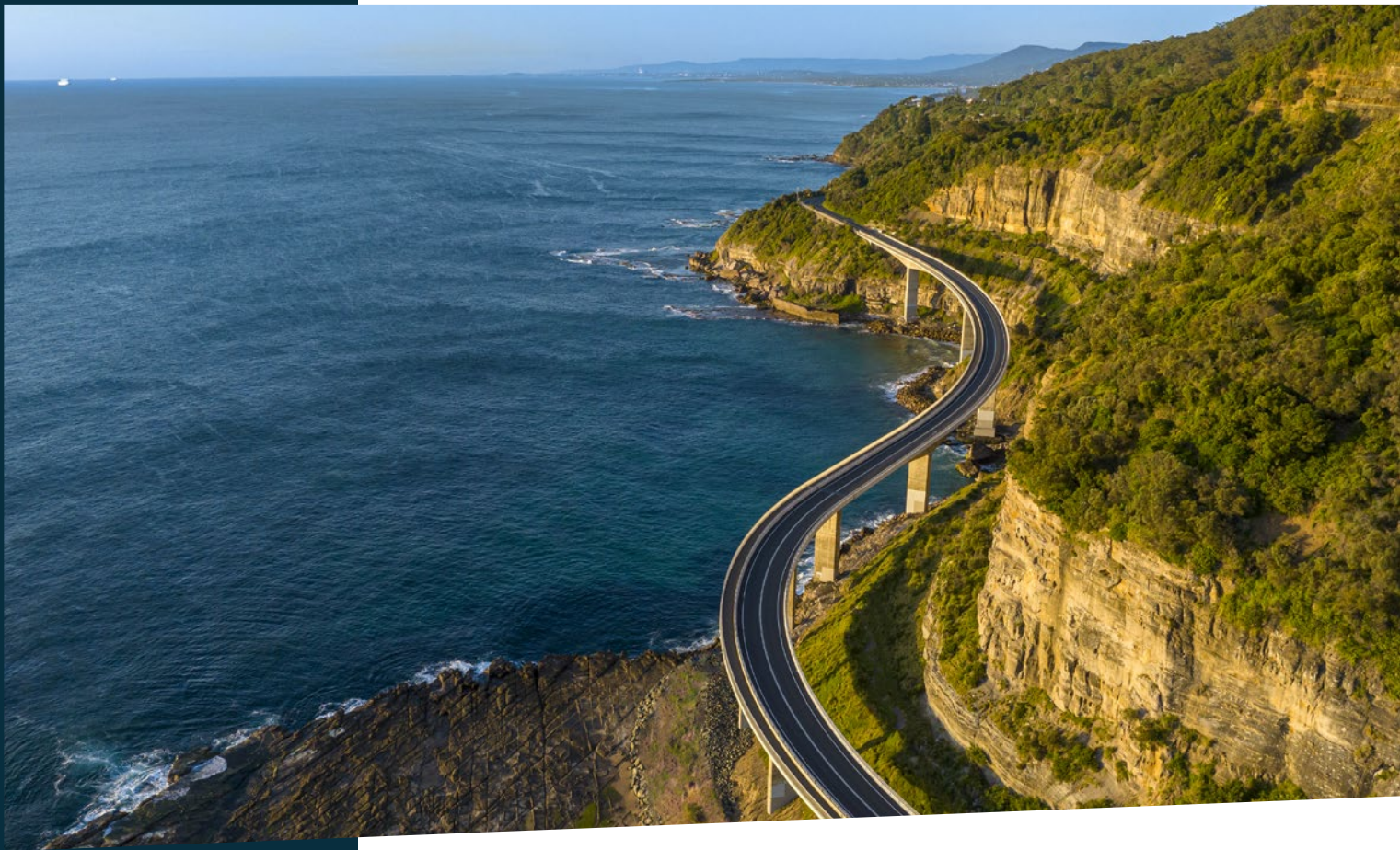


# ESV

## Sustainability Reporting - AASB S2 – Governance Disclosures



Climate governance is no longer a ‘nice to have’. Under AASB S2, it’s a core board responsibility with real accountability attached.

Since 1 January 2025, Australia’s new sustainability reporting regime requires many large entities to prepare a Sustainability Report under AASB S2 Climate-related Disclosures. **One of the four key disclosure areas is Governance.** Governance is central to ensuring that climate-related risks and opportunities are not only recognised but actively overseen by boards and management.

## What disclosures must be made?

The Sustainability Report must include information about:

- Targets**  
The climate-related goals set by the organisation, such as net-zero by 2050, interim milestones, or energy efficiency commitments.
- Oversight of climate risks**  
Who within the business (board, committees, or senior management) has responsibility for monitoring and managing climate risks.
- Risk identification and management**  
How climate-related risks are identified, assessed and integrated into overall risk management processes.
- Incentives and remuneration**  
Whether executive or staff remuneration is linked to climate-related targets, and how this supports accountability.
- Current processes and gaps**  
An outline of existing governance practices and any gaps or weaknesses that need to be addressed.

## What does this mean for private groups?

Governance requirements reflect the growing expectation that climate oversight should be treated with the same seriousness as financial governance.

Private groups that may not meet the thresholds for mandatory reporting should still be aware that:

- > Larger entities in their supply chain may request governance information to satisfy their own reporting obligations.
- > Investors, financiers and customers are increasingly looking for evidence of credible governance structures, including whether leadership is incentivised to achieve climate goals.
- > Identifying gaps now – will help ensure businesses are well prepared for rising ESG expectations and potential future regulatory expansion.

## How will requirements be enforced?

The new regime is backed by **civil penalty provisions** under the Corporations Act. For directors, this means:

- > **Civil penalties** – individuals may face fines of up to **\$1.565 million** for authorising or approving false, misleading, or non-compliant Sustainability Reports.
- > **Directors' declarations** – from 2025 to 2027, directors must declare that they have taken "reasonable steps" to ensure compliance; after that, a full compliance declaration is required. False or misleading declarations expose directors to liability.
- > **General directors' duties** – climate disclosures also fall under existing obligations (duty of care and diligence, duty to act in good faith, prohibition on misleading statements). Breaches can trigger ASIC enforcement, civil actions, or in extreme cases, criminal liability.

Certain disclosures will be subject to a three-year period of regulator-only enforcement from 1 January 2025 (one year for all forward-looking disclosures and three years for scope 3, scenario analysis and transition plan disclosures).

## Next steps

- > **Get clear on roles** – confirm who is responsible for climate oversight at board and management level. decarbonised products/services that meet evolving market and regulatory needs.
- > **Set measureable targets** – define climate-related goals that can be monitored and reported against.
- > **Review incentives** – consider whether linking remuneration to climate performance is appropriate for your organisation.
- > **Assess processes** – evaluate how risks are currently identified, assessed and managed, and whether this aligns with AASB S2 expectations.
- > **Perform a gap analysis** – highlight weaknesses in governance and begin building capacity ahead of reporting obligations.

If you need any assistance in navigating the new sustainability reporting regime please reach out to your ESV Engagement Team.

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