Climate Governance Initiative Australia

A JOINT PUBLICATION BY Australian Institute of Company Directors | Deloitte. | MinterEllison.

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A director's guide to mandatory climate reporting

VERSION 2 | SEPTEMBER 2024

Foreword by ASIC Chair

As the world grapples with climate change, regulators, investors, and the wider community are increasingly expecting businesses to be clear about how they are managing the risks and opportunities presented by this global challenge.

After three extensive rounds of consultation, in March 2024, the Government introduced its mandatory climate reporting legislation into Parliament. The legislation passed both houses of Parliament in September 2024. It will see organisations report on their climate-related risks and opportunities in a mandated 'Sustainability Report,' commencing from 1 January 2025 for the largest emitters and corporations, with smaller organisations phased in from 1 July 2026 and 1 July 2027, respectively.

This shift to mandatory climate-related disclosure presents the biggest change to corporate reporting in a generation. Navigating these issues will require concerted focus and investment by companies. Getting started early is critical, as is a recognition that the quality and depth of reporting will mature over time.

As stewards of long-term value, boards have a critical role to play in overseeing this shift to high quality climate reporting, and building organisational resilience in the face of the escalating physical and transitional risks posed by climate change.

I am therefore pleased to see that the Australian Institute of Company Directors, Deloitte and MinterEllison have partnered via the **Climate Governance Initiative (CGI) Australia**, to publish this updated second edition climate reporting guide aimed at preparing directors for this major reform.

At its heart, good quality reporting must be underpinned by strong and effective governance. Boards must think about both the risks and opportunities facing their organisation, now and into the future. I encourage Australian directors and executives to show leadership at this critical juncture for our nation and economy.

The most successful and resilient companies will look at mandatory climate reporting not as a compliance exercise, but as an opportunity to demonstrate how they are building long-term value. I commend this guide to all directors as a valuable reference point.

Joe Longo
Chair
Australian Securities and Investments Commission (ASIC)

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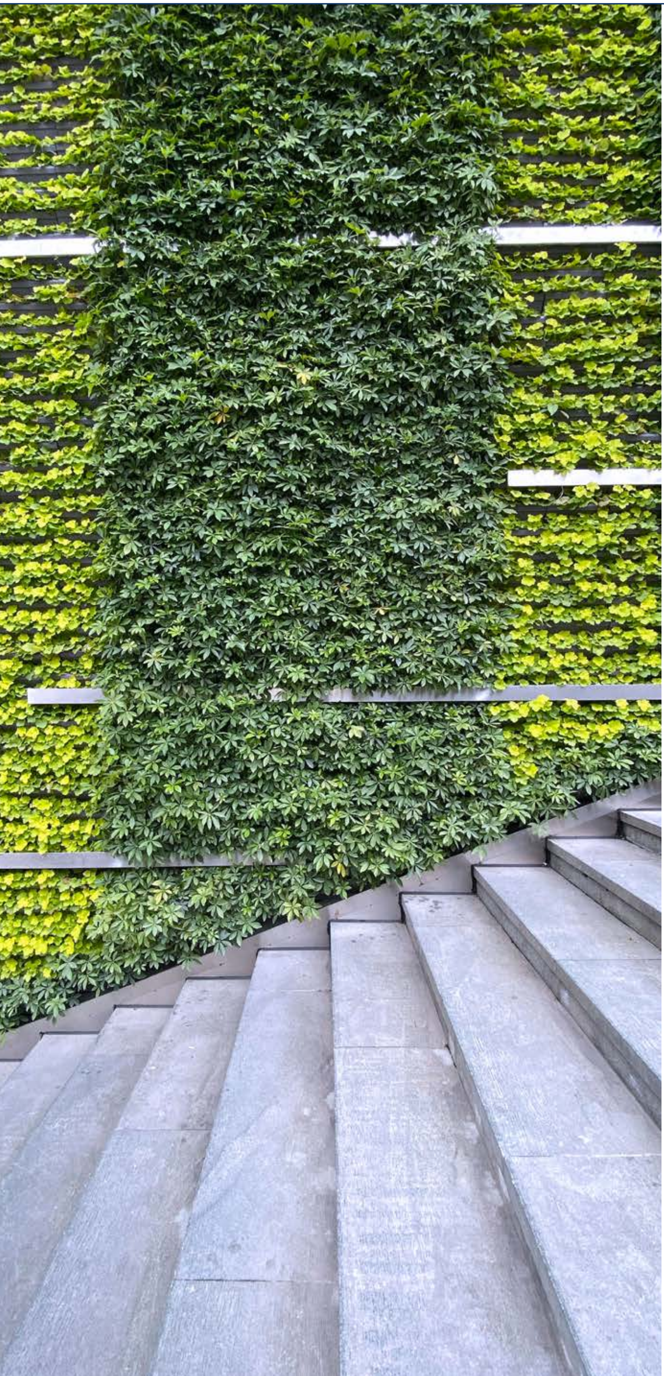


Guide audience and structure

The **primary audience** of this Guide are directors of organisations which are captured by Australia's mandatory climate reporting regime, some of which would already be undertaking voluntary climate reporting. However, directors of organisations which are not currently captured, or are choosing to disclose voluntarily, may also find the Guide useful as such organisations may be subject to information requests from organisations which are captured (in light of the requirement to report across the value chain).

The Guide is structured into three chapters:

1. **Chapter 1 provides an overview of the current climate reporting landscape,** including the road to the International Sustainability Standards Board (ISSB)'s standards and a summary of the Australian mandatory climate reporting regime.
2. **Chapter 2 sets out the legal duties and responsibilities of directors in respect of climate reporting**. This includes a consideration of directors' duties in respect of financial reporting and due care and diligence, as well as the prohibition against misleading or deceptive conduct.
3. **Chapter 3 provides practical steps that directors can take to meet their obligations to report on climate-related risks and opportunities** in respect of the topics of governance, strategy and risk management, and metrics and targets, as required under Australia's mandatory climate reporting regime.

Each chapter contains a list of **Questions for directors to ask** relevant to that chapter. A consolidated list of all questions in the Guide is available at Appendix A. A glossary of key terms is available at Appendix B.

This updated Version 2 Guide replaces our previous guidance issued in October 2023, capturing the significant developments since then, while maintaining the same structure and focus as the original guide.

We are interested in hearing from users of the Guide about their experiences and invite feedback by email to **policy@aicd.com.au**.

The utmost care has been taken to ensure this document accurately reflects the legislative and regulatory landscape as at the date of publication. However, this is an area subject to frequent regulatory and legal change.

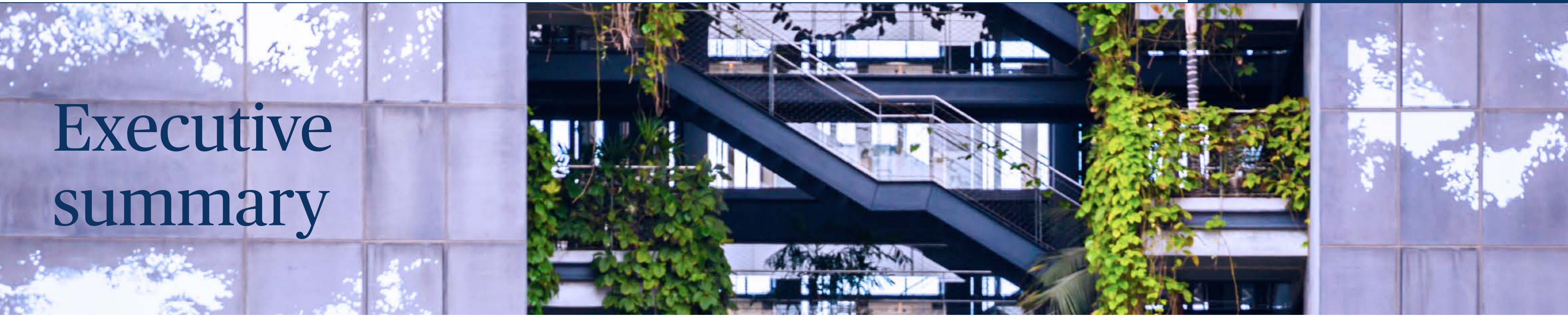
CLIMATE GOVERNANCE INITIATIVE AUSTRALIA

The AICD is the host of the Australian chapter of the **Climate Governance Initiative (CGI)**, which is part of a global CGI network of 32 bodies[1] promoting the **World Economic Forum Climate Governance Principles** for boards and effective climate governance within their jurisdictions. As host, our members have access to a global network of experts in risk and resilience and to non-executive directors who are leading their organisations' governance response to climate change.

As at the date of publication of this Guide, CGI Australia has:

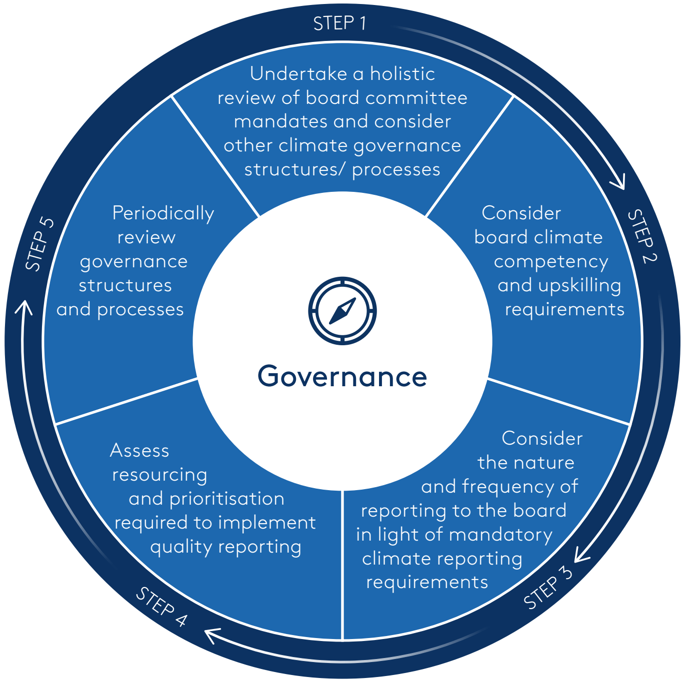
- hosted webinars attended by almost 8,000 attendeess;
- issued practice guides and reports on topics including managing climate risk and sustainability governance structures, which have had cumulative unique downloads of around 37,000;
- issued monthly climate newsletters currently sent to around 20,000 recipients; and
- established the annual Climate Governance Forum, which attracted around 4,500 attendees across the first three years (2022, 2023, 2024).

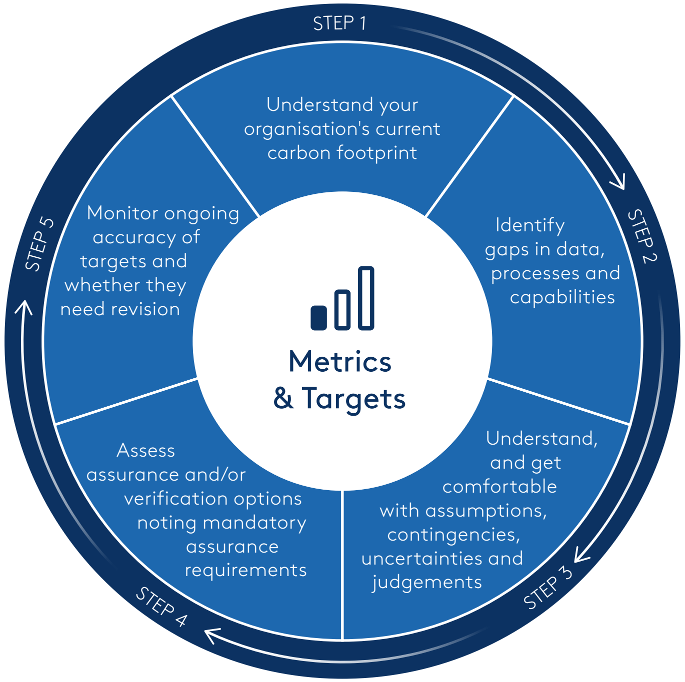
1 As at the date of publication of this Guide.



Executive summary

To prepare for mandatory climate reporting, directors should focus their efforts on the below:





KEY POINTS:

1. Australia's mandatory climate reporting regime was legislated in September 2024. It requires entities meeting certain size thresholds to disclose their climate-related risks and opportunities.
2. The regime adopts a staged approach: the largest emitters and corporations (Group 1, roughly equivalent to the ASX 200 and their private company equivalents) must disclose from 1 January 2025. Smaller Group 2 and Group 3 entities will be phased in from 1 July 2026 and 1 July 2027, respectively.
3. Organisations covered by Australia's sustainability reporting standards will need to make disclosures in accordance with AASB S2, the mandatory standard for climate-related disclosures. These disclosures must be included in a 'Sustainability Report', which will serve as the fourth component of the Annual Report (alongside the Financial Report, Directors' Report, and Auditor's Report).
4. AASB S2, is based on the international sustainability standard IFRS S2. Like the international standard, AASB S2 incorporates and builds on the framework of the Task Force on Climate-related Financial Disclosures (TCFD), but requires more detailed and quantitative disclosures of the current and anticipated financial impacts of climate change over the short, medium, and long term.
5. To incentivise fulsome disclosure in areas subject to high measurement or outcome uncertainty, Australia's mandatory climate reporting regime includes a period of regulator-only enforcement over certain disclosures (Modified Liability Period). The Modified Liability Period will apply to all forward-looking disclosures required under AASB S2 for the first year of the regime, and to all scope 3, scenario analysis and transition planning disclosures for the first three years.
6. Directors must exercise due care and diligence in overseeing the robustness of corporate reporting systems and processes as the board is generally accountable for public disclosures.
7. Diligent directors should consider:
    - current climate governance structures;
    - existing climate representations and disclosures – in reporting, marketing material and other communications including websites and social media;
    - the board and management's level of climate competency; and
    - data and systems needed for climate reporting.

    If gaps are identified, directors should work with management to consider the need to upskill, make technological investments and/or seek out external support.
8. Successful organisations will approach climate reporting as a strategic opportunity to demonstrate the value and the resilience of their organisation, rather than a compliance 'tick box' exercise.
9. Whether or not an organisation is yet subject to mandatory reporting, directors should consider the extent to which climate change has a material effect on the organisation's financial position, performance or prospects, and what disclosures may be required to present a 'true and fair view' of financial reports.

Chapter 1 | The mandatory climate reporting landscape

KEY POINTS

1. Australia's mandatory climate reporting regime was legislated in September 2024. It requires entities meeting certain size thresholds to disclose their climate-related risks and opportunities.
2. The regime makes climate reporting mandatory for all entities currently required to issue financial reports under Part 2M of the *Corporations Act 2001* (Cth) – namely, listed and unlisted companies, financial institutions, registrable superannuation entities and registered investment schemes.
3. Reporting is phased in based on an entity's employee size, consolidated gross assets and consolidated revenue, with the largest emitters and corporations (Group 1, roughly equivalent to the ASX 200 and their private company equivalents) disclosing from 1 January 2025. Smaller Group 2 and Group 3 entities will be phased in from 1 July 2026 and 1 July 2027, respectively.
4. Charities registered with the Australian Charities and Not-for-profits Commission (ACNC) and organisations registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* are not captured. Not-for-profits (NFPs) that meet the size thresholds are included.
5. Entities are required to disclose in line with the AASB S2 – the Australian adaptation of the International Sustainability Standards Board (ISSB)'s climate standard, IFRS S2. AASB S2 (like IFRS S2) is based on and builds on the Task Force on Climate-related Financial Disclosures (TCFD), but requires more detailed and quantitative disclosures of climate impacts over the short, medium and long term.
6. The board plays a critical function in overseeing climate reporting, given the significant reputational, legal and strategic issues involved.
7. Rather than applying a compliance-based mindset, boards should view this regulatory change as an opportunity to build organisational resilience and demonstrate value in a rapidly decarbonising economy.

1.1 THE JOURNEY TO INTERNATIONAL SUSTAINABILITY STANDARDS (ISSB)

Climate reporting came to the fore with the introduction of the recommendations of the TCFD in 2017. Since then, there has been steady uptake of Australian organisations adopting the TCFD as the basis of their climate reporting, increasing from approximately 30 per cent of ASX 200 in 2019 to 69.5 per cent of the ASX 200 in 2023.[2]

While we know that there has been a steady increase in the number of ASX 100 and ASX 200 companies referring to, or disclosing against, the TCFD framework, the quality and comprehensiveness of this disclosure varies widely – of the 88 per cent of ASX 100 companies that acknowledge climate change as a business risk, only eight per cent model potential impacts using scenario analysis, and only one per cent provide financial quantification of potential impacts.[3]

Further, climate disclosure across the entirety of the listed entity sector (rather than just the ASX 200), remains relatively low – less than half (42.8 per cent) of listed entities disclosed climate-related information in their FY2022 annual reports, with only 10.5 per cent referencing the TCFD recommendations and only 3.4 per cent disclosing in accordance with all four TCFD pillars.[4] Corporate climate-related disclosures to date have been criticised by some stakeholders for being too generalised to be useful, and lacking the detail and quality of analysis sought by investors.[5] Of the 61 per cent of the ASX 200 which made net zero commitments in 2023,[6] seven per cent had no supporting interim (short and medium) targets.[7] Further, only 25 per cent of targets set by the ASX 200 are science-based.[8]

The International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB) in November 2021 to sit alongside the International Accounting Standards Board (IASB). The ISSB was formed with a remit to improve the quality and comparability of disclosures by issuing sustainability standards that could form a global baseline of sustainability information. It also provided the opportunity to consolidate the 'alphabet soup' of existing sustainability disclosure standards and frameworks.

In June 2023, the first two IFRS Sustainability Disclosure standards – IFRS® S1 General Requirements General Requirements for Disclosure of Sustainability-related Financial Information – the foundational standard for all 'topical' sustainability disclosures – and IFRS® S2 Climate-related Disclosures (IFRS S2) were issued. These standards are colloquially referred to as the 'ISSB standards'.

These standards stipulate an effective date for global adoption of the financial year beginning on, or after, 1 January 2024, with individual jurisdictions (such as Australia) to mandate if, how, and when the standards are implemented locally.

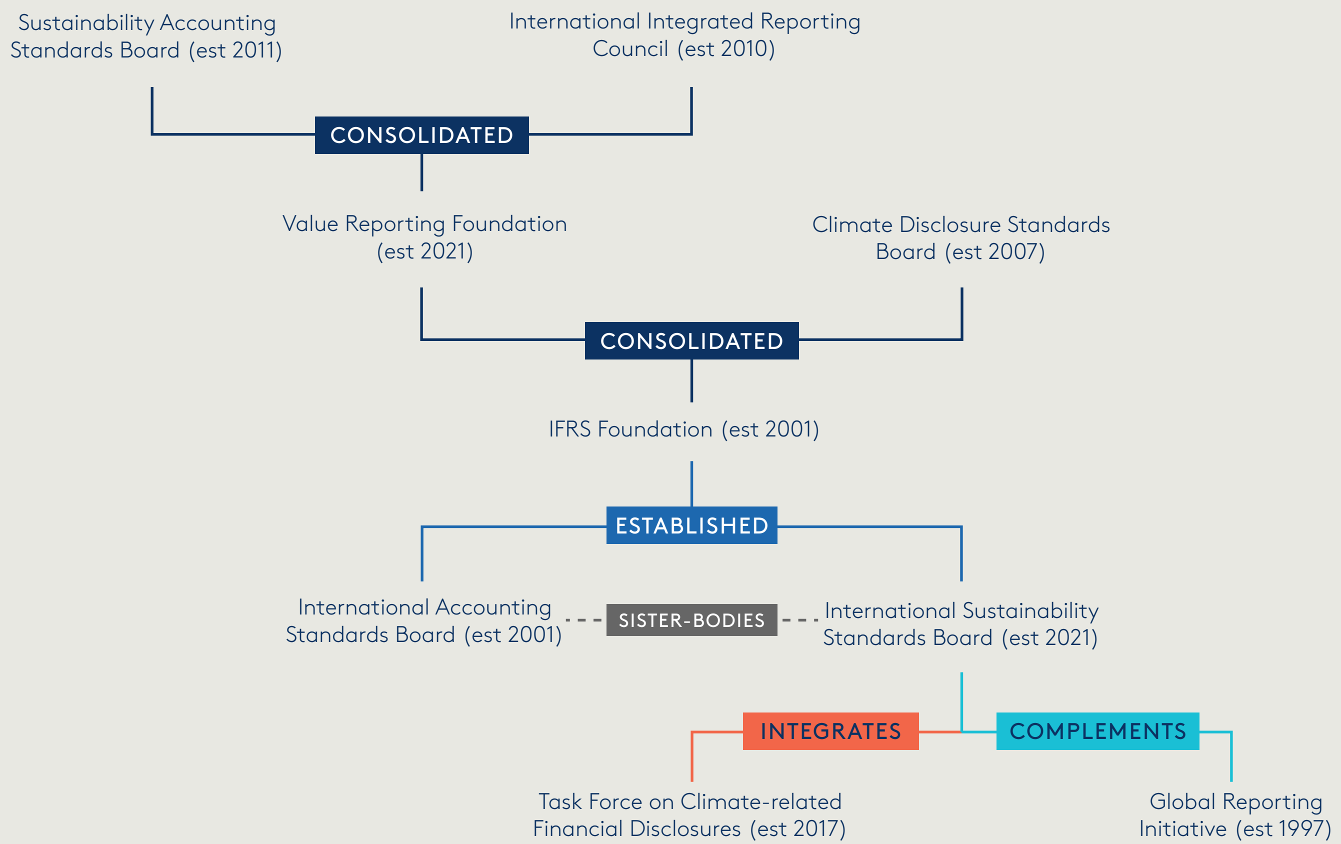
2 Australian Council of Superannuation Investors (ACSI) (July 2024) Promises, Pathways & Performance: Climate Change Disclosure in the ASX200 at page 7.
3 KPMG (June 2023) Status of Australian Sustainability Reporting Trends - June 2023 Update at page 4.
4 Jean You and Professor Roger Simnett (November 2023) AUASB and AASB Joint Research Report: Trends in climate-related disclosures and assurance in the Annual Reports of ASX-listed entities at page 20.
5 ACSI notes: "Even where companies are fully aligned to the TCFD framework there is a broad range of quality (depth of analysis, comparability, scientific and externally referable methodologies, and climate models) and transparency of disclosures (both qualitative and quantitative)" – see Ibid (n 2) at page 8 – and that "Full alignment to the TCFD framework does not always correlate with sufficient disclosure. Some companies make broad, sweeping statements, with little qualitative or quantitative detail about how climate risk manifests in its specific circumstances, or what steps the company is taking to manage the risks identified" –see Ibid (n 2) at page 7.
6 ACSI (July 2024), Ibid (n 2) at page 5.
7 ACSI (July 2024), Ibid (n 2) at page 13.
8 ACSI (July 2024) Ibid (n 2) at page 14.

1.2 DISSECTING THE ISSB STANDARDS – WHAT DO I NEED TO KNOW?

Both the international (ISSB) and Australian sustainability reporting standards draw on the four core pillars of the TCFD framework (see **Figure 1**) but provide a more detailed framework that better supports comparable disclosures. The issue of the ISSB standards in June 2023 marked the culmination of the TCFD work and the transfer of TCFD's monitoring responsibility to the ISSB from 2024.[9]

FIGURE 1: The 'four pillars' of the TCFD and ISSB disclosures

FIGURE 2: Harmonising the 'alphabet soup' of global climate and sustainability reporting frameworks



9 IFRS (July 2023) IFRS Foundation welcomes culmination of TCFD work and transfer of TCFD monitoring responsibilities to ISSB from 2024.

The Australian Accounting Standards Board (AASB) has adapted the ISSB standards to the Australian context by issuing Australian sustainability reporting standards.[10] This includes the mandatory climate-related disclosures standard, AASB S2 (based on IFRS S2 and the relevant parts of IFRS S1 required to implement IFRS S2), and the voluntary general sustainability standard, AASB S1 (based on IFRS S1). While only AASB S2 is mandatory, the government has indicated that other sustainability disclosures, such as those related to nature and biodiversity, which are currently voluntary, may eventually become mandatory as part of its 'climate first but not only' policy. **Appendix B: Glossary** provides details on how the international and Australian sustainability standards are referred to in this guide.

KEY ELEMENTS OF THE AUSTRALIAN SUSTAINABILITY REPORTING STANDARDS

AASB S2 – Climate-related Disclosures (mandatory)	• An Australian adaptation of the international climate standard, IFRS S2. • Requires disclosure of financial information relating to material, physical and transition climate-related risks and opportunities. • Based on the TCFD pillars of governance, strategy, risk management, and metrics and targets, but requires more granular and prescriptive quantitative disclosures. These include: – disclosing any transition plan – identifying the body responsible for oversight of climate-related risks and opportunities – reporting on scope 1, 2 and 3 emissions (for definitions, **Chapter 3**) – assessing climate resilience using scenario analysis (for definitions, **Chapter 3**) – disclosing any application of internal carbon prices (See **Fact Sheet 4**)
AASB S1 – General Requirements for Disclosure of Sustainability-related Financial Information (voluntary)	• Acts as a general sustainability standard that can apply to a range of sustainability disclosure topics, including nature and biodiversity and human capital.[11] • Sets out the general disclosures required under each of the four core elements (governance, strategy, risk and metrics and targets) of the TCFD recommendations.

1.2.1 What do the climate standards require of organisations?

The international (ISSB) and Australian sustainability reporting standards require that organisations make disclosures of material climate-related risks and opportunities that are decision-useful for the primary users of general-purpose financial reports. They provide a structure for reporting this information, which includes governance, carbon footprint, climate-related risks and opportunities, the current financial effects of climate-related risks and opportunities, anticipated future financial effects and the strategies and plans in place to manage the impact, all underpinned by appropriate metrics.

Some of these requirements necessitate organisations to make forward-looking disclosures which are subject to measurement or outcome uncertainty. We discuss the legal implications of making forward-looking statements in **Chapter 2**.

10 The Australian Sustainability Reporting Standards were approved by the AASB Board on Friday, 20 September 2024, during meeting No. 209, which was convened to vote on the pronouncement of AASB S1 and AASB S2.
11 IFRS (June 2024) Feedback Statement – Consultation on Agenda Priorities

1.2.2 We already report under the TCFD, how are the climate standards different?

The Australian sustainability reporting standards are based on the ISSB standards. The ISSB published a comparison of its climate standard, IFRS S2, and the TCFD recommendations.[12]

The key differences are that the ISSB standards:

1. Use **different wording** to capture similar information as the TCFD recommendations, but is broadly consistent with the TCFD recommendations.
2. Require **more detailed and granular** information e.g. specific requirements on disclosure of **quantitative** information.
3. **Elaborate on and add to the TCFD Guidance,** including by adding further disclosure requirements or application guidance, while not deviating overall from the TCFD recommendations themselves.

For a more comprehensive comparison, see **Fact Sheet 2**.

BOX 1.1: LOOKING BEYOND CLIMATE – IS NATURE AND BIODIVERSITY THE NEXT CAB OFF THE RANK?

Although climate is the first thematic sustainability disclosure topic, a clear mantra from the Australian Government and the ISSB is 'climate first but not only.' Beyond climate, nature has emerged as a key environmental risk for organisations to manage. There is growing awareness of the impact of corporate activity on the natural environment and complex ecosystems, as well as related social considerations such as the 'just transition.'

Following an agenda consultation process, the ISSB has announced it will commence research projects on disclosure about risks and opportunities associated with biodiversity, ecosystems and ecosystem services (BEES) and human capital. Proposals arising out of these projects will seek to build from existing initiatives, such as the SASB Standards, Climate Disclosure Standards Board (CDSB) guidance and the Taskforce on Nature-related Financial Disclosures (TNFD), which is modelled on the TCFD. Currently, the ISSB has decided not to progress with the drafting of standards for other sustainability topics, such as human rights.

However, following the launch of the TNFD in September 2023, it is likely that nature will become a key area of focus for the ISSB and domestic policymakers from 2024 onwards.

With Australia being a significant funder of the TNFD, directors should be thinking about their organisation's biodiversity impact and how nature positive solutions can contribute to achieving organisational climate goals.

Although corporate awareness of nature risks is relatively nascent, directors should expect that market and regulatory expectations for action are likely to quickly accelerate over the coming years.

For more information, see the CGI Resource **Biodiversity as a material financial risk: What board directors need to know** and the World Economic Forum's **Chairperson's Guide to Valuing Nature.**

12 IFRS Sustainability (July 2023) **Comparison – IFRS S2 Climate-related disclosures with the TCFD recommendations.**

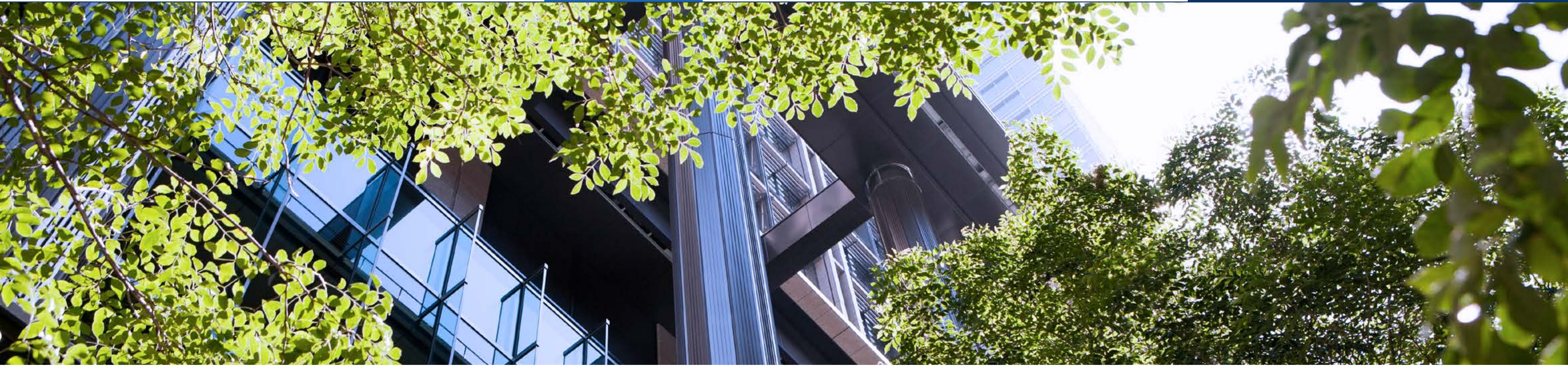
TABLE 1: Summary table of relevant differences between the TCFD and the sustainability standards

Table 1 compares the international (ISSB) and Australian sustainability reporting requirements to the core TCFD recommendations made in June 2017 (as distinct from the 2017 and 2021 TCFD Implementation Guidance). We do so in recognition of the fact that many Australian corporates disclose on a 'TCFD-lite' basis.[13] We note that the TCFD has issued implementation guidance in 2017 and 2021 which recommends the making of more detailed and granular disclosures, some of which are now mandated. The evolution of the TCFD framework is a useful illustration of the continuing development and maturity of climate reporting. For a more comprehensive comparison, see **Fact Sheet 2**.

Topic	TCFD core recommendations	International (ISSB) and Australian sustainability reporting standards
Governance	General recommendation to: • Disclose board oversight of climate-related risk and opportunity. • Disclose management's role in assessing climate-related risk and opportunity.	Specifically require disclosure of: • Details of board oversight, including identification of person/body responsible (and confirmation of competency), and how it is reflected in their role description/ mandate/ terms of reference. • The process in place to identify and prioritise climate-related risks and opportunities.
Strategy	General recommendation to: • Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. • Describe the impact of climate risks and opportunities on the organisations' businesses, strategy and financial planning. • Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Specifically require disclosure of: • Any transition plans, including how the organisation plans to achieve any climate-related targets that have been set. • The current and anticipated effects of climate-related risks and opportunities on the entity's business model and value chain, including where the climate-related risks and opportunities are concentrated (e.g. geographical areas, facilities and types of assets). • Quantitative information on the current and anticipated effect of climate-related risks and opportunities on cash flows, access to finance, cost of capital, resource allocation, carrying amounts of assets and liabilities, and impact on current and committed investment plans. Qualitative information is permitted only in some circumstances. • Scenario analysis and an explanation of whether it aligns with the latest international climate change agreement. **Under the Australian regime, in a deviation from IFRS S2, entities must conduct at least two scenarios: one aligned with 1.5°C warming and one where warming 'well exceeds' 2°C.**
Risk Management	General recommendation to: • Describe the process for identifying, assessing and managing climate-related risk. • Explain how these processes are integrated into the overall risk management framework.	Specifically requires disclosure of: • Processes used to identify, assess, prioritise and monitor climate-related risk and opportunities, the input parameters it uses to identify risks, and whether the processes used have changed compared to the prior reporting period. • How climate risk management is integrated into the organisation's overall risk management process.

13 AASB and AUASB (November 2023) research found less than half (42.8 per cent) of listed entities disclosed climate-related information in their FY2022 annual reports, with only 10.5 per cent referencing the TCFD recommendations and only 3.4 per cent disclosing in accordance with the four TCFD pillars.

Topic	TCFD core recommendations	International (ISSB) and Australian sustainability reporting standards
Metrics & Targets	General recommendation to: • Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process. • Describe the targets used by the organisation to manage climate-related risk and opportunities. • Disclose scope 1, 2 and if appropriate, scope 3 Greenhouse Gas (GHG) emissions.	Specifically require disclosure of: • All the metrics from the TCFD 2021 guidance which includes: – The percentage of executive management remuneration linked to climate-related considerations. – Internal carbon prices. – The amount and percentage of assets or business activities currently vulnerable to physical and transition risk and aligned with climate-related opportunities. – The amount of capital, financing or investment deployed towards climate-related risks and opportunities. • Any transition plans and climate-related targets (including details on the use of carbon offsets), processes in place to review transition plans, and quantitative information about progress of transition plans including disclosure of how the target compares against the latest international agreement on climate change. • GHG emissions including: – Scope 3 emissions. – Separate disclosure of scope 1 and 2 emissions for each consolidated accounting group and for associates, joint venture and unconsolidated subsidiaries not included in the accounting group. – Financed emissions for those with asset management, management, commercial banking and insurance activities.
Location and timing of reports	No binding recommendation, however the TCFD Implementation Guidance states that disclosures should be made within the mainstream financial report on a 'timely basis' at least annually, and should be updated in a 'timely' manner.	Require disclosure (subject to transitional relief): • As part of the general-purpose financial reports. Australia's regime requires disclosure within a separate 'Sustainability Report' forming part of the Annual Reporting suite. • Issued at the same time as the publication of Financial Statements. • Covering the same reporting period and the same reporting entity as the Financial Statements. The Australian regime allows for disclosures to be prepared on a consolidated entity basis, with entities able to apply to ASIC for relief, similar to the mechanisms available for financial reports.



1.3 WHAT DOES AUSTRALIA'S MANDATORY CLIMATE REGIME LOOK LIKE?

As part of its commitments under the Paris Agreement, the Australian Government's Climate Change Act 2022 outlines its commitment to reduce GHG emissions by 43 per cent by 2030 and reach net zero emissions by 2050. The Climate Change Authority (CCA) **Sector Pathways Review**, released on 6 September 2024, outlines technology and emissions pathways for Australia to meet its climate commitments. Covering six sectors, the review will inform the government's Net Zero Plan.

In March 2024, the government introduced the *Treasury Laws Amendment (Financial Market infrastructure and Other Measures) Bill 2024* (Cth) into Parliament. This included amendments to the *Corporations Act 2001* (Cth) to introduce a mandatory climate reporting regime (Schedule 4 to the Bill). In September 2024, the Bill passed Parliament and came into force. See **Figure 3** for a timeline of the journey to mandatory climate reporting in Australia.

FIGURE 3: Timeline to mandatory climate reporting in Australia

November 2021
ISSB announced at COP26

March 2022
ISSB publishes S1 and S2 exposure drafts

March – July 2022
ISSB and Australian Accounting Standards Board (AASB) - Extensive consultation process

July 2022 – June 2023
ISSB made progressive changes to S1/S2

November 2022 – February 2023
ISSB and AASB - Extensive consultation process

December 2022 – February 2023
Treasury's First Consultation on mandatory climate reporting in Australia

June 2023
Finalised IFRS S2 and S2 standards. International Auditing and Assurance Standards Board (IAASB) issues Draft International Standard on Sustainability Assurance (ISSA 5000) for consultation (closed Dec 2023).

June 2023
Treasury's Second Consultation on mandatory climate reporting in Australia

October 2023
AASB issued draft Australian Sustainability Reporting Standards for consultation (closed 1 March 2024)

January 2024
Effective date of final IFRS S1/S2

January 2024
Treasury issued Exposure Draft Legislation for consultation

March 2024
Government introduces Climate Reporting Bill into Parliament. Bill referred to the Senate Economics Legislation Committee (Senate Inquiry) for inquiry and report. AUASB opens first consultation into sustainability assurance

May 2024
Senate Inquiry issues its report. AUASB consultation into sustainability assurance closes

September 2024
Climate Reporting Bill passes Parliament and comes into effect. AASB approves the Australian Sustainability Reporting Standards. AUASB issues draft timeline for mandatory assurance over climate disclosures (for consultation). IAASB approves ISSA 5000

December 2024
AUASB anticipates issuing its final sustainability assurance standard based on ISSA 5000

January 2025
First reporting period for which mandatory climate reporting in Australia applies

WHAT DOES THE MANDATORY CLIMATE REPORTING REGIME IN AUSTRALIA LOOK LIKE?

The main aspects of the climate reporting regime are summarised in Figure 4. In September 2024, ASIC issued guidance on the mandatory climate reporting regime. This comprised primarily of factual information regarding how the regime will operate, as well as preliminary **guidance** on ASIC's enforcement approach in the regime's early years.

FIGURE 4: Key elements of Australia's climate reporting regime

WHO is covered?

3 cohorts descending by size (see **page 18**), starting with large emitters and large reporting entities.

WHEN will it commence?

Group 1: Reporting periods commencing 1 January 2025.

Group 2: Reporting periods commencing 1 July 2026.

Group 3: Reporting periods commencing 1 July 2027.

WHERE will disclosures be located?

A separate Sustainability Report which forms the 'fourth' report within the Annual Reporting suite (the other 'reports' being the Financial Report, Directors' Report and Audit Report).

WHAT disclosures will be required?

The AUASB consulted on a possible assurance timetable in March to May 2024, and released a **proposed assurance timetable** in September 2024.

Directors will be required to declare that (**Directors' Declaration**), in their opinion, the substantive provisions of the Sustainability Report are in accordance with the *Corporations Act 2001* (Cth), including AASB S2. For the first three years, directors are required only to make a **Qualified Directors' Declaration** whereby they affirm "whether, in the directors' opinion, the entity has taken reasonable steps" to comply with the *Corporations Act 2001* (Cth) (including AASB S2).

WHAT assurance will be required?

Phased in, with the AUASB to set interim assurance requirements and the 'end point' being reasonable assurance over all disclosures by 1 July 2030. The AUASB issued a draft assurance timeline in September 2024. For more details of what is proposed, see **Fact Sheet 6**.

HOW will requirements be enforced?

Non-compliance is a civil penalty.

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).

In September 2024, ASIC issued **guidance on its enforcement approach** during the early years of the regime. It stated that it will take a 'pragmatic and proportionate' approach while organisations adjust to the new requirements, and that ASIC will be more likely to take enforcement action where it sees misconduct of a 'serious nature' – such as where there is misconduct causing harm to investors/ primary users.

WHO IS REQUIRED TO REPORT?

A three-tiered approach applies, depending on organisational size and other criteria. Cohorts and timings are:

Group 1 (commencing financial years beginning on or after 1 January 2025):

- Those required to report under Part 2M of the *Corporations Act 2001* (Cth) i.e. Disclosing Entities[14] (other than registered schemes, registrable superannuation entities or retail CCIVs), listed and unlisted public and large private companies (Reporting Entities) that fulfill two of the following three thresholds:

  1. Over 500 employees
  2. $1 billion+ in consolidated gross assets
  3. $500 million+ consolidated annual revenue

- Reporting Entities that are also National Greenhouse and Energy Reporting (NGER) Scheme 'Controlling Corporations' which meet the NGER Scheme publication threshold.

Group 2 (commencing financial years beginning on or after 1 July 2026):

- Reporting Entities that fulfill two of the following three thresholds:

  1. Over 250 employees
  2. $500 million+ in consolidated gross assets
  3. $200 million+ consolidated annual revenue

- Registered schemes, registrable superannuation entities or retail Corporate Collective Investment Vehicles (CCIV)s (i.e. asset owners) with the value of Assets Under Management (AUM)[15] of $5 billion+. Note that such entities are only required to disclose from the 1 July 2026 financial year even if they meet the size requirements of Group 1.
- Reporting Entities that are also NGER Scheme 'Controlling Corporations', regardless of NGER Scheme publication threshold.

Group 3 (commencing financial years beginning on or after 1 July 2027):

- Reporting Entities that fulfill two of the following three thresholds:

  1. Over 100 employees
  2. $25 million+ in consolidated gross assets
  3. $50 million+ consolidated annual revenue

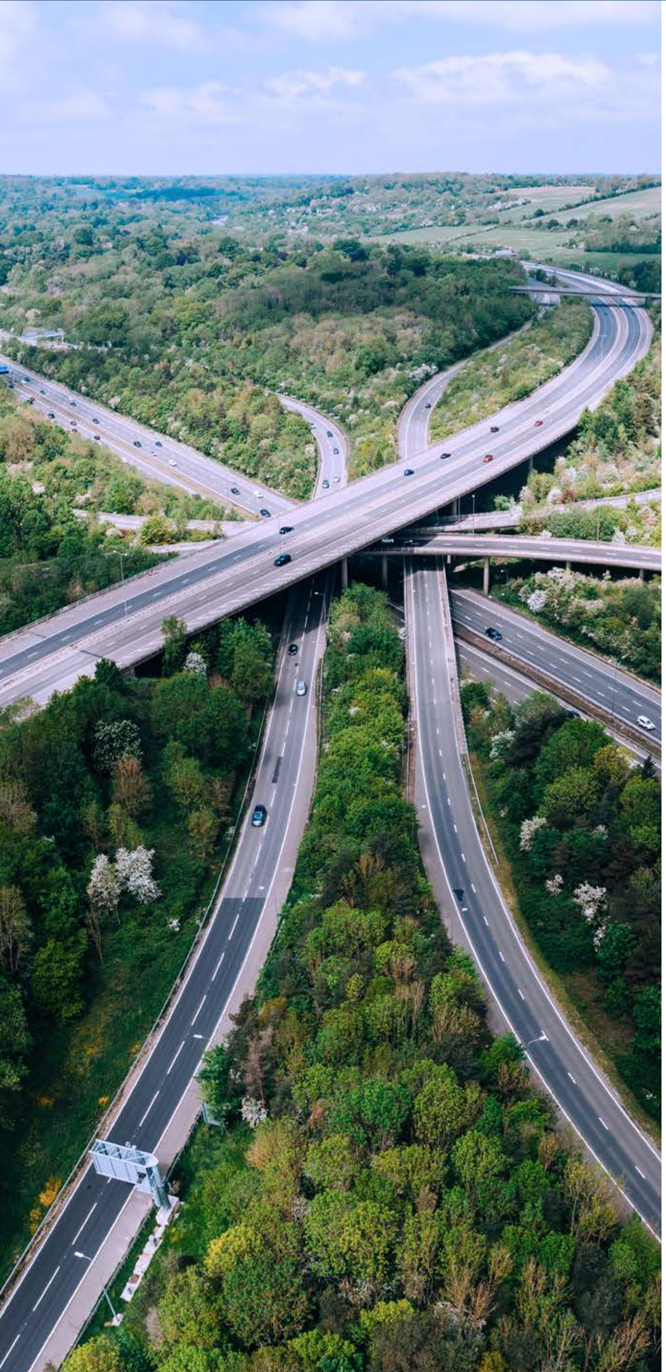
However, only those Group 3 entities facing material climate-related risks or opportunities are required to disclose under the regime. Those Group 3 entities that conclude they have no material climate-related risks or opportunities must make a statement to this effect and explain their rationale for coming to this conclusion. Directors must also still make a directors' declaration over this statement and have it audited.

BOX 1.2: ARE CHARITIES AND NOT-FOR-PROFIT (NFP) ENTITIES COVERED?

Charities which are registered with the Australian Charities and Not-for-profits Commission (ACNC) and organisations registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* are not required to provide financial reports under Part 2M of the *Corporations Act 2001* (Cth). Therefore, these entities are not captured by the mandatory climate reporting requirements.

However, NFPs which are **not** registered with the ACNC and **are** required to disclose under Part 2M of the *Corporations Act 2001* (Cth) are still captured by the mandatory climate reporting regime, provided they meet the size thresholds.

14 As defined in section 111AC of the Corporations Act 2001 (Cth).
15 Value of AUM of the entity and any entity it controls, determined at the end of the relevant financial year.



WHAT DO ORGANISATIONS NEED TO REPORT?

Australia's mandatory climate reporting regime requires annual disclosures in line with AASB S2. This includes disclosures on governance, strategy, risk management and metrics and targets, including scope 3 emissions disclosures from the second reporting year onwards.

In addition to the mandatory AASB S2, Australia's sustainability reporting standards include a general sustainability standard, AASB S1, which is based on IFRS S1. While this standard is currently voluntary, the government has flagged that eventually other sustainability disclosures, such as nature and biodiversity, may become mandatory as part of its 'climate first but not only' policy.

DIRECTORS' DECLARATIONS

Directors will be required to state whether, in their opinion, the disclosures are in accordance with the *Corporations Act 2001* (Cth) including complying with the AASB S2.

As a transitional measure, for the **first three years** of the regime, directors are only required to make a **qualified directors' declaration** whereby they affirm "whether, in the directors' opinion, the entity has taken reasonable steps" to ensure the substantive provisions of the Sustainability Report comply with the AASB S2 and the *Corporations Act 2001* (Cth). Following this three year period, directors will have to make a full, unqualified declaration that the Sustainability Report complies with the legal requirements (including AASB S2).

WHERE WILL ORGANISATIONS NEED TO REPORT?

Disclosures are to be made **annually** in a Sustainability Report which forms the 'fourth' report within the Annual Reporting suite (the other 'reports' being the Financial Report, Directors' Report and Auditor's Report).

WHAT ASSURANCE WILL BE REQUIRED?

The Climate Reporting Legislation sets an 'end point' where mandatory assurance over all disclosures is required from 1 July 2030. The AUASB is responsible for setting interim assurance requirements prior to this 'end state'. The AUASB has issued a **draft assurance timetable**. For an outline of key assurance and verification pathways, including the difference between limited and reasonable assurance, see **Fact Sheet 6**.

WHAT ARE THE LEGAL CONSEQUENCES OF NOT REPORTING OR INADEQUATELY REPORTING?

The Climate Reporting Legislation introduces a number of new penalty provisions into the *Corporations Act 2001* (Cth), so that a failure to disclose, or inadequate disclosure, would attract a civil penalty or even an imprisonment term.[16]

To incentivise fulsome disclosure in areas subject to high measurement or outcome uncertainty, the Climate Reporting Legislation includes a period of regulator-only enforcement over certain disclosures (**Modified Liability**). Section 2.6 provides details on the Modified Liability regime, including how it applies to Protected Statements within the mandated Sustainability Report.

BOX 1.3: WHAT ABOUT ORGANISATIONS NOT CAPTURED BY THE MANDATORY CLIMATE REPORTING REGIME?

Organisations which do not fall within Groups 1 to 3 may choose to voluntarily disclose. This may be to attract capital at a time when investors are mindful of climate risks in their investment porfolios.

For a summary of what is driving detailed climate disclosures and why those not covered by mandatory disclosure regimes may wish to consider voluntary disclosure, see Fact Sheet 1.

1.4 WHAT ARE OTHER JURISDICTIONS DOING ON CLIMATE REPORTING?

One of the main purposes of the international sustainability reporting standards is to consolidate existing standards and frameworks and create a global baseline to promote greater comparability of sustainability (including climate) disclosures worldwide.

However, in light of the ISSB only forming in November 2021 and releasing finalised standards in June 2023, many jurisdictions which were early adopters of mandatory climate and/or sustainability reporting disclosures (such as New Zealand and the EU) have already developed and implemented their own sets of sustainability and/or climate disclosure standards and/or have mandated TCFD-aligned disclosures (such as the UK).

In July 2023, the **International Organization of Securities Commissions (IOSCO)** announced[17] their qualified endorsement of the ISSB standards[18] and called on its 130-member jurisdictions (representing regulators covering more than 95 per cent of the world's securities markets) to consider how they may incorporate the international sustainability reporting standards into their respective jurisdictional regulatory frameworks.

The IFRS Foundation (which houses the ISSB) has a Jurisdictional Working Group comprising national regulators/ standard-setters, including the US Securities and Exchange Commission (SEC), the UK Financial Reporting Council, and the European Commission. The Group is tasked with increasing interoperability between the ISSB standards and other (national and international) sustainability disclosure frameworks.

16 Two years' imprisonment where fault can be established for (1) the failure to keep sustainability records for 7 years if required to do so; and (2) failure to conduct an audit of a sustainability report in accordance with the auditing standards.
17 IFRS (July 2023) IFRS Sustainability Disclosure Standards endorsed by international securities regulators.
18 IOSCO (July 2023) IOSCO endorses the ISSB's Sustainability-related Financial Disclosures Standards.

BOX 1.4: WHAT DO ORGANISATIONS NEED TO CONSIDER FOR OPERATIONS IN DIFFERENT JURISDICTIONS?

- Who is part of our upstream and downstream value chain?
- How do we plan to work with suppliers and our broader ecosystem (including data collection)?
- What are our disclosure requirements and the relevant regulatory frameworks in place in the jurisdictions within which we operate?
- Do the data collection requirements differ between jurisdictions?
- When are we required to prepare climate or other sustainability disclosures?

What are key risk factors to mitigate when reporting in other jurisdictions?

- Insufficient forward planning and lead time.
- Assumption that a subsidiary or organisation is not captured by disclosure requirements in other jurisdictions, or that regimes are the same.
- Relationships and data collection agreements not established with suppliers.

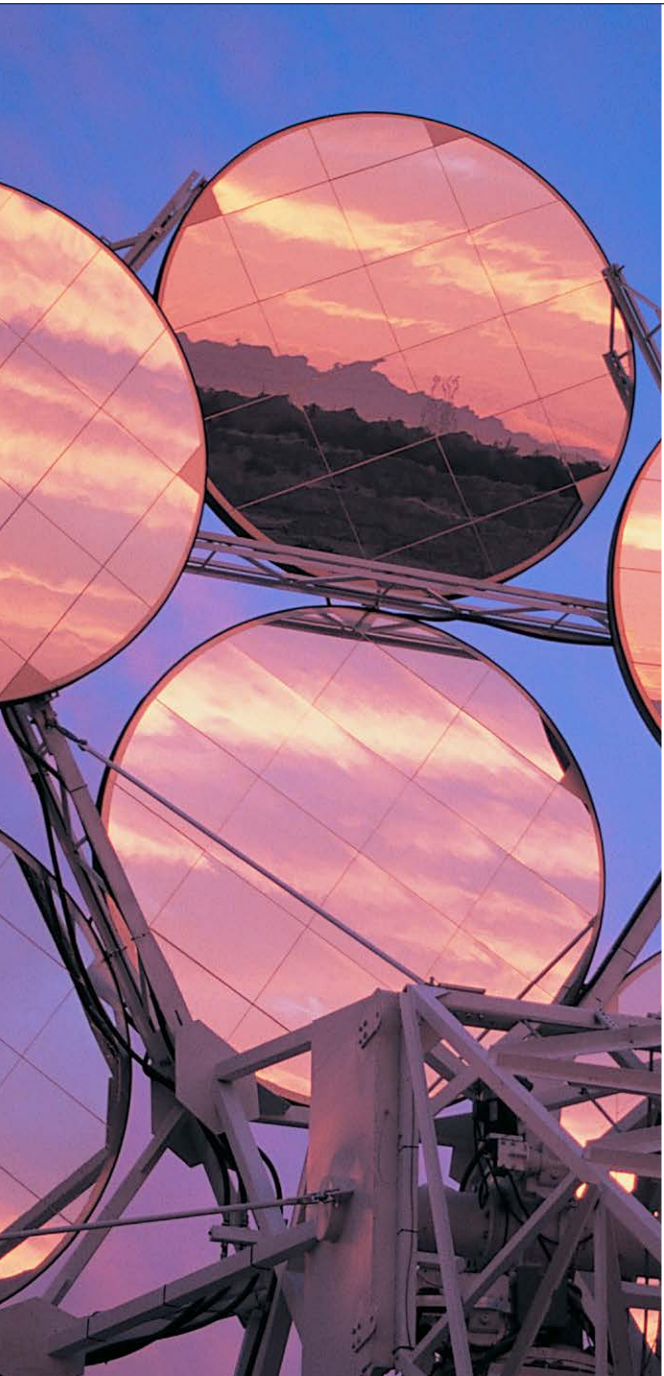
Have a US or EU subsidiary?

- See Fact Sheet 3 for guidance on reporting in these jurisdictions.

QUESTIONS FOR DIRECTORS TO ASK

1. If, and when, will our organisation be covered by the mandatory climate reporting regime in Australia?
2. How do the reporting requirements compare with our current practices? What is our plan to bridge any gap? What internal and external expertise is needed?
3. If our organisation is not captured, are we likely to be impacted by others' reporting requirements?
4. Are any of our overseas operations captured by climate reporting requirements overseas? (See **Fact Sheet 3** for guidance for organisations with EU or US issuance, operations or subsidiaries)

The **'Climate risk governance guide: An introductory resource for directors on climate risk governance'** provides a plain-language introduction to fundamental climate change concepts, and considers this issue in the context of the non-executive directors' role and duties.



Chapter 2 | What are the duties and expectations of me as a director?

KEY POINTS

1. Directors will need to make a declaration that the Sustainability Report complies with the Climate Reporting Legislation (including compliance with the mandatory climate reporting standard, AASB S2).
2. In making their declaration, directors must exercise due care and diligence in overseeing the robustness of corporate reporting systems and processes, and in assessing the materiality of climate-related risks and opportunities to their organisation.
3. Directors should understand what internal expertise and expert support and external assurance will be needed, or mandated (in respect of assurance), to publish clear and accurate climate reports.
4. The expectations on directors are shifting and will require appropriate upskilling and education to demonstrate an active oversight role over management.
5. Whether or not an organisation is yet subject to mandatory reporting, directors should consider the extent to which climate change (and potentially broader sustainability issues) has a material impact on the organisation's financial position, performance or prospects, and what disclosures may be required to present a 'true and fair view' of financial reports.

2.1 THE LEGAL CONTEXT – DIRECTORS' DUTIES IN RELATION TO CLIMATE CHANGE

One of the primary obligations for directors is to oversee the preparation of the Annual Report in compliance with the *Corporations Act 2001* (Cth). Directors are responsible for the content of the Financial Statements and must ensure that the Financial Statements and Notes and Directors' Report disclose any information that may have a material impact on the financial position, performance and prospects of an organisation. This includes any material climate change and broader sustainability-related information.

Ultimately, directors must ensure that the report presents a true and fair view of the organisation's financial performance, position and prospects that is not misleading or deceptive.[19]

That means that certain entities required to disclose under the *Corporations Act 2001* (Cth) that are not covered by mandatory climate reporting may still be required to disclose climate-related risk if it is material.

Liability can arise not only for any misleading disclosure, but for a breach of the duty of due care and diligence[20] where a director has failed to apply adequate diligence to their oversight of the organisation's systems for financial reporting.

> In considering directors' duties for climate-related financial reporting, it is important to understand legal obligations relevant to both:
>
> - the content of financial reports; and
> - the duty of due care and diligence more broadly.

2.2 FINANCIAL REPORTING AND CLIMATE CHANGE

In Australia, financial reporting obligations are primarily set out in the *Corporations Act 2001* (Cth). The content and interpretation are partly informed by 'soft law' such as regulator guidance, investor expectations and evolving standards of practice.

In general, there is a requirement for all public and large proprietary companies to publish Annual Reports.[21] This includes financial reports containing the Financial Statements and Notes, Directors' Declaration, Directors' Report and now, the mandated Sustainability Report, which is discussed in detail in **Section 1.3** of **Chapter 1**.

Box 2.1 provides a summary of key financial reporting obligations required under the mandatory climate reporting regime and explains how these may require disclosure of climate-related variables outside the regime.

> **A key takeaway for directors is that climate and sustainability-related risks and impacts must be disclosed if they are material to the organisation.**

19 Section 297 of the *Corporations Act 2001* (Cth) (CA) notes that if the Financial Statements prepared in compliance with the accounting standards do not give a true and fair view, additional information must be included in the notes to the financial statements.
20 Section 180(1) of the CA.
21 Section 292 of the CA.

BOX 2.1: SUMMARY OF EXISTING REPORTING OBLIGATIONS IN AUSTRALIA AND WHERE CLIMATE CHANGE FITS IN

Legal obligation	Where climate change fits in
Financial Statements and Notes	
• Must provide a **true and fair view** of the financial position and performance of the organisation.[22] Presenting a true and fair view requires disclosure of all **material** information. • Must comply with Australian Accounting Standards. Additional information may be required to ensure the presentation of a true and fair view.[23] • Directors must take all reasonable steps to comply with (and secure the organisation's compliance with) the financial reporting requirements.[24] • Information in the Financial Statements and Notes must be externally audited.[25] • Prohibition on misleading or deceptive representations.[26]	• The impact of climate change should be disclosed where it is **material to financial performance or position**. Failure to do so may render the Financial Statements and Notes misleading or deceptive.
Directors' Report	
• Must disclose (among other things) likely future developments in operations and expected results of those operations, and post-balance date matters or circumstances that may significantly affect future operations, state of affairs and results.[27] • Listed companies should disclose information that members would reasonably require to make an informed assessment of the business strategies and prospects for future years in an operating and financial review (OFR). ASIC Regulatory Guide 247 notes that climate change may need to be disclosed in the OFR if it has a material impact on the future financial position, performance or prospects of an entity. • May need to disclose performance in relation to significant environmental regulations.[28] • Prohibition on misleading or deceptive representations.[29]	• Disclosure where climate change may impact an entity's future operations and expected future results, and where it may give rise to post-balance sheet date events that have, or may significantly impact on future operations, state of affairs or results. • For **listed entities,** climate-related issues must be disclosed if they have a material impact on the future financial position, performance or prospects of the entity.[30]

22 Section 297 CA.
23 Sections 296, 297 CA.
24 Section 344 CA.
25 Section 301 CA.
26 Sections 1041 E and 1041H CA and Sections 12DA, 12DB and 12DF ASIC Act.
27 Section 299 CA.
28 Sections 299(1)(f) CA.
29 Sections 1041 E and 1041H CA, and sections 12DA, 12DB and 12DF ASIC Act.
30 ASIC's Regulatory Guide RG 247 – see RG247.66.

<table>
<tr><th>Legal obligation</th><th>Where climate change fits in</th></tr>
<tr><td colspan="2">Continuous Disclosure obligations (listed companies only)</td></tr>
<tr><td>

Must immediately disclose to the ASX if it becomes aware of information concerning it where the information is not publicly available, and a reasonable person would expect that the information, if it were generally available, would have a material effect on the price or value of securities.[31]
Information is taken to have a ‘material effect on the price or value of the entity’s securities’ if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell, the securities. A likely price impact of 10 per cent or more will generally be considered material and will be referred to ASIC as a potential breach of Continuous Disclosure Obligations.[32]
Prohibition on misleading or deceptive representations where there is likely price impact of five to 10 per cent may be material, depending on the circumstances.[33]

</td><td>
Current legal obligations

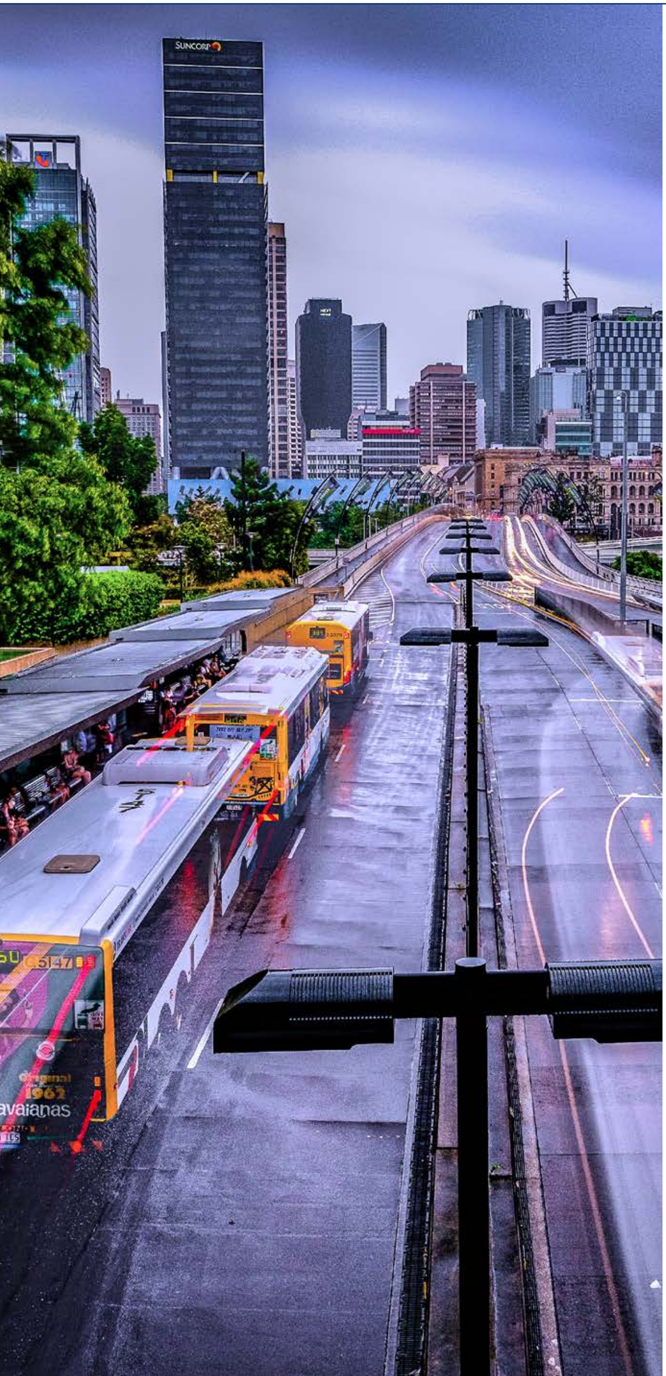
Obligations may arise where an organisation becomes aware of non-publicly available information which renders a prior climate representation (such as a transition plan or climate target) unviable. However, the relevant materiality is that of the ASX (financial materiality), rather than the international (ISSB) concept of materiality.

</td></tr>
<tr><td colspan="2">Corporate Governance Statement (listed companies only)</td></tr>
<tr><td>

Must disclose the extent to which (on an if not why not basis) the organisation has followed the recommendations of the ASX Corporation Governance Council in the ASX Corporate Governance Principles and Recommendations 4th edition, including Recommendation 7.4 which states that “a listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks, and, if it does, how it manages or intends to manage those risks.”

</td><td>
Current legal obligations
The current ASX Corporate Governance Principles and Recommendations (4th edition) states: “The Council would encourage entities that believe they do not have any material exposure to environmental or social risks to consider carefully their basis for that belief and to benchmark their disclosures in this regard against those made by their peers,”[34] and suggests that entities with material climate change issues consider disclosing under the TCFD. The ASX Principles are in the process of being amended – the current draft Fifth Edition recommends that a listed entity should disclose its material risks (including material environmental, social and governance risks) and how it manages or intends to manage those risks. The commentary states that “listed entities should consider ongoing developments in sustainability standard setting when making disclosures under this Recommendation” and that “climate change-related risk may also have broad impact, including for those entities not in emission intensive industries.”[35]
</td></tr>
</table>

31 Sections 674 and 674A CA, ASX Listing Rule 3.1
32 ASX Listing Rules, Guidance Note 8.
33 Sections 1041 E and 1041H CA, Sections 12DA, 12DB and 12DF ASIC Act.
34 ASX Corporate Governance Council, Corporate Governance Principles and Recommendations, 4th ed (2019) at page 28.
35 ASX (February 2024) Corporate Governance Principles and Recommendations – Fifth Edition Consultation.



2.3 MATERIALITY UNDER AUSTRALIAN LAW

Under the Climate Reporting Legislation, the Sustainability Report must disclose all material financial risks and financial opportunities relating to climate. Whether something is a material financial risk (or opportunity) is determined in accordance with AASB S2.

The AASB considers information to be material *"if omitting, misstating or obscuring it could reasonably be expected to influence decisions"* of the primary users. Material information needs to be disclosed to ensure that the Financial Statements and Notes provide a true and fair view of the financial position and performance of the organisation.[36]

This test of 'materiality' is not a 'bright line' quantitative rule. It requires consideration of qualitative factors, including external factors such as the industry in which the entity operates. Investor expectations may make certain risks, including climate-related risks, 'material' which may warrant disclosure.[37]

In April 2019, the AASB and the Australian Auditing Standards Board (AUASB) published guidance on assessing the materiality of climate-related risk and other emerging risks (Materiality Guidance), which highlighted that climate change may be material and may need to be disclosed in the circumstances set out in **Box 2.2**.

In July 2024, the International Accounting Standards Board (IASB) issued a draft guidance document entitled **Climate-related and Other Uncertainties in the Financial Statements – Proposed illustrative examples**. The draft is also the subject of an **AASB consultation**, closing on 4 October 2024. It provides eight illustrative examples of how entities can report the effects of climate-related and other uncertainties in their Financial Statements, aiming to reduce inconsistencies between the Financial Statements and other general-purpose reports, including the Sustainability Report. See **Box 2.3** for examples of climate-risk effects on Financial Statements.

36 Section 297 CA.
37 See AASB and AUASB (April 2019) **Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2** page 3; AASB (April 2022) **AASB Practice Statement 2: Making Materiality Judgements**.

BOX 2.2: WHERE CLIMATE CHANGE MAY BE MATERIAL TO FINANCIAL STATEMENTS

Circumstances where climate-related risks may be material	Examples from AASB and AUASB in 2019
Investors reasonably expect that climate-related risks have a significant impact on the entity and/or could qualitatively influence investors' decisions, regardless of the quantitative impact on the Financial Statements.	Where investors reasonably expect that climate-related risks will impact the entity's sector (i.e. high risk sectors) such as the fossil fuel, transport and electricity production and transmission sectors. However, with the recognition of the impact of emissions throughout value chains, investors are beginning to demand climate disclosures even outside of those high-risk sectors.
Climate-related risks likely to have a material impact in the entity's specific circumstances.	Where an entity's property, plant or equipment are located in a flood or bushfire zone (physical climate risk), or where demand for an entity's product or service offering is likely to be impacted by a decarbonising economy (such as demand for fossil fuels or clean energy).
Climate-related risks affect any of the amounts recognised or disclosed in the Financial Statements.	Where the organisation has been able to quantify the impact of climate-related risks and opportunities. This could arise where climate-related risks have a material impact on the amounts recognised in the Financial Statements. This may include impact on: • asset impairment; • changes in the useful life of assets; • changes in the fair valuation of assets; • increased costs and/or reduced demand for products and services; • recognition of provisions for onerous contracts; • provisions and contingent liabilities arising from fines and penalties; and • changes in expected credit losses for loans and other financial assets. More examples are provided in Box 2.3.

BOX 2.3: WHAT ARE SOME EXAMPLES OF CLIMATE-RISK EFFECTS ON FINANCIAL STATEMENTS?

Many inputs and assumptions, such as estimates of future cash flow, discount rates and long-term growth rates that impact amounts recognised in Financial Statements, may be significantly impacted by physical[38] and transition[39] climate-related risks. Some examples may include:

- **Revenue impacts:** A tourism company's stranded assets due to sea level rise; an agricultural business' yields falling in areas with extreme weather events; or businesses producing single-use plastics experiencing reduced demand due to changing customer preferences or regulation.
- **Cost line implications:** This might include a carbon tax or similar levy on exports into some countries i.e. a Carbon Border Adjustment Mechanism[40] or on GHG emissions impacting forecast cash outflows, government regulation creating caps on supply, changing use of natural resources or increased costs to achieve higher standards of energy efficiency for commercial property.
- **Changing estimated useful lives or residual values:** This may include markets for less energy efficient machinery decreasing or being replaced earlier than expected as more efficient technology enters the market.

ASIC Regulatory Guide RG247 states that a listed entity's OFR within its Directors' Report should include a discussion of ESG risks where those risks could affect the entity's financial position or performance, taking into account the nature and business of the entity and its business strategy.[41]

However, it is unclear whether this guidance will continue to be applicable given the requirement that mandatory climate disclosures be located within a separate Sustainability Report. Moreover, the Modified Liability regime (see Section 2.6 below for a detailed discussion) applies only to statements, or statements that differ only to the extent that they contain updates or corrections to the original statement, made in the Sustainability Report, as well as identical statements required to be made under Commonwealth law. In relation to the latter, while it is intended to apply to occurrences such as statements to the market in satisfaction of continuous disclosure obligations, it is not currently clear whether identical statements made within the other reports of the Annual Report (i.e. the Financial Report or Directors' Report) will fall within this category.

2.4 MATERIALITY UNDER THE INTERNATIONAL AND AUSTRALIAN SUSTAINABILITY STANDARDS

The international (ISSB) and Australian sustainability reporting standards define materiality consistently with the definition found in international and Australian Accounting Standards, with information being deemed to be material where *"omitting, misstating or obscuring that information could reasonably be expected to influence decisions of primary users of general-purpose financial reports."*

'Primary users' for for-profit entities are defined[42] as existing and potential investors, lenders and other creditors.

'Primary users' for not-for-profit (NFP) entities are defined[43] as existing and potential resource providers (such as investors, lenders and other creditors, donors and taxpayers), recipients of goods and services (such as beneficiaries, for example, members of the community) and parties performing a review or oversight function on behalf of other users (such as advisers and members of parliament).

Application Guidance in international and Australian sustainability reporting standards states that identifying material information requires consideration of the characteristics of investors and of the entity's own circumstances.[44]

38 Physical risk refers to risk arising from the physical effects of climate change such as global warming, rising sea levels, or extreme weather events such as flood or drought.
39 Transition risk refers to risk arising from economic shifts towards a low carbon future, including impact of regulatory change, technological advancements and changes in customer preferences and behaviour.
40 ESG Today (April 2023) EU lawmakers approve new carbon tax.
41 ASIC Regulatory Guide 247, at 247.66.
42 AASB S2 Appendix A.
43 AASB S2 Appendix A – see the Framework for the Preparation and Presentation of Financial Statements.
44 AASB S2, Appendix D at paragraphs B16 – B28.

The Climate Reporting Legislation specifies that only Group 3 entities (see **Section 1.3** for Group size thresholds) that do not have material climate-related financial risks or opportunities do not need to make disclosures under AASB S2. However, as noted in **Section 1.3**, entities will still be required to make a statement of no material climate-related risks or opportunities, and explain how it came to that conclusion, having regard to foreseeable risks and opportunities. Such a statement would also be subject to a directors' declaration and audit.

Many of the AASB S2 disclosures require consideration of the anticipated effects of possible future events with unknown or uncertain impacts.

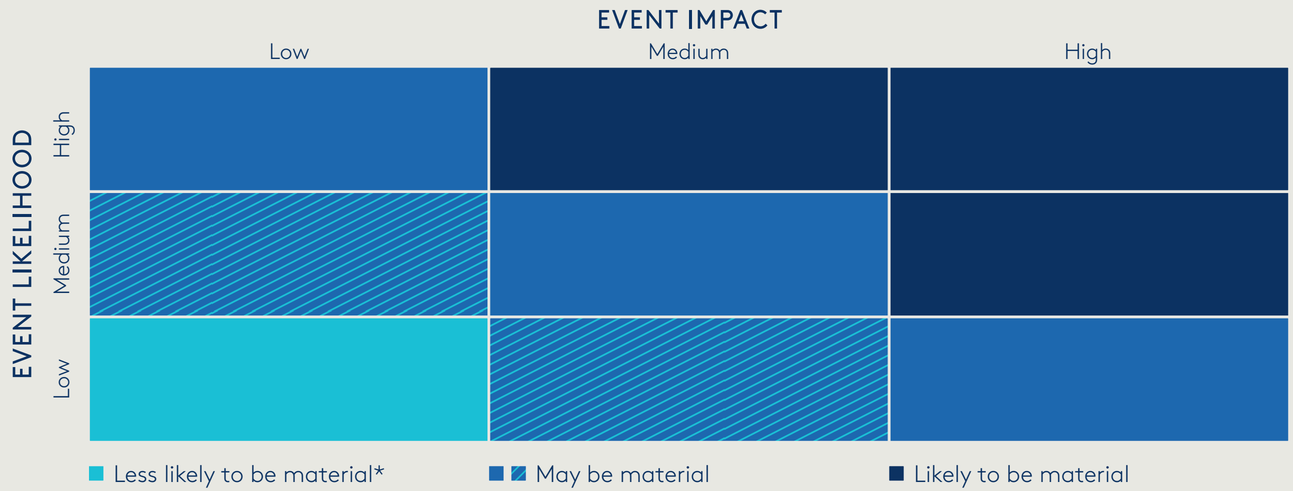
> **When considering whether possible future events are likely to be material,** the AASB S2's Application Guidance[45] states that an entity should consider:
>
> 1. the potential impact on the event by reference to the effect on the amount, timing and uncertainty of the entity's future cash flows over the short, medium and long term; and
> 2. the likelihood of the event.

AASB S2 notes that generally, events are more likely to be material where potential impacts are significant and the event is likely to occur. Impacts that are significant but won't occur for many years into the future are generally less likely to be material than impacts that are significant and are anticipated to take place in the shorter term. However, AASB S2 also states that a low-probability, but high-impact outcome may also be material either in isolation or in combination with other low-probability and high-impact events.

Notably, AASB S2's Application Guidance states that in some circumstances, an item of information could reasonably be expected to influence primary users' decisions regardless of the magnitude of the potential effects of the future event or the timing of that event. For example, this might happen if information about a particular sustainability risk or opportunity is highly scrutinised by primary users of an entity's general purpose financial reports.[46]

The risk matrix at **Figure 5** may assist preparers in considering which possible future events may be material.

FIGURE 5: Materiality risk matrix – future possible events



* Subject to an assessment of whether a risk or opportunity is likely to be highly scrutinised by report users, which may render it material.

2.5 FORWARD-LOOKING STATEMENTS AND LIABILITY RISK

Chapter 1 illustrates that many of the disclosures required under AASB S2 involve forward-looking information across medium- and long-term time horizons, and data relating to risks that occur outside the scope of an organisation's direct control (such as scope 3 emissions data). This presents challenges relating to data availability and uncertainty, and prompts the question: **how should directors approach these issues to minimise the risk of misleading disclosure?**

45 AASB S2, Appendix D, paragraph B22.
46 AASB S2, Appendix D, paragraph B24.

WHY ARE CLIMATE-RELATED FORWARD-LOOKING STATEMENTS DIFFERENT?

As part of their financial reporting, some organisations make forward-looking statements that estimate or make projections as to the financial position and performance of the organisation. This includes demand outlooks, impairment assessments, asset useful lives assessments, estimated rehabilitation costs and earnings forecasts.

However, such representations are subject to well established accounting principles that are generally applicable to all reporting entities and are generally subject to full external audit. Auditing provides the opportunity for auditors to test and challenge the assumptions made by directors and management, which lifts the overall robustness and veracity of Financial Statements.

Without the benefit of decades of established principles and conventions, there is a heightened level of uncertainty relating to climate disclosures which in relative terms, is still in its infancy. In particular, AASB S2 calls for highly organisation-specific disclosures which are subject to mandatory assurance requirements (see **Fact Sheet 6**).

Further, a significant number of AASB S2 disclosures will require prediction or estimation over long (e.g. 5 to 10 year+) time horizons and be subject to constantly changing assumptions due to changes in decarbonisation trajectories, technological development and changing government regulation. For instance, the future demand and projected revenue from a product may be heavily subject to technological development. For example, the International Energy Agency (IEA) estimates that 35 per cent of the emissions reduction needed to reach net zero by 2050 will be sourced from technologies at either the demonstration or prototype stage, i.e. not yet available on the market.[47]

WHAT DO THE CLIMATE STANDARDS SAY ABOUT ISSUES OF UNCERTAINTY?

The international (ISSB) and Australian sustainability reporting standards explicitly acknowledge that there may be areas of estimation and uncertainty in climate-related financial disclosures. In response to this, the international and Australian sustainability reporting standards require that the entity must identify the amounts that are subject to measurement uncertainty, the reason for, or source of the uncertainty, and the assumptions, approximations and judgements the entity has made in measuring the amount.

To provide comfort to reporting entities, AASB S2 requires that certain disclosures need only be based on "reasonable and supportable information that is available at the reporting date without undue cost or effort". This concept is referred to here as the Proportionality Test.

The Proportionality Test in AASB S2 applies to the following disclosures:

- the identification of climate-related risks and opportunities;
- disclosing the anticipated future effects on an entity's financial performance, position and cash flows;
- measuring and disclosing scope 3 greenhouse gas (GHG) emissions and identifying the scope of the value chain;
- the amount and percentage of assets or business activities vulnerable to physical and transition risk, and aligned with climate-related opportunities; and
- applying climate-related scenario analysis.

47 IEA (2023) **Net Zero by 2050 Report: 2023 Update** at page 69.

THE PROPORTIONALITY TEST – ISSB APPLICATION GUIDANCE

The Proportionality Test provides that when making the relevant disclosures, organisations must consider information that is **reasonably available, and must:**

- disclose information that is known and/or held by the organisation as at the reporting date, including information about past events, current conditions and forecasts of future economic conditions, where that information can be located without undue cost or effort;
- consider the entity's resources (personnel, time and money), when making disclosures. For instance, the ISSB has stated that *"an entity that is more resource constrained, such that the costs of obtaining particular information is proportionally higher than for entities with fewer resource constraints, would be permitted to undertake a proportionally less exhaustive search for information"*;[48] and
- have a **reasonable basis** for using the information (i.e. the disclosure must be supportable). There appears to be no direct guidance from the ISSB as to what constitutes 'supportable', but it is generally understood to be information that can be demonstrated as having a reasonable basis at the time it was stated. Under Australian law, forward-looking statements (many of which are required by AASB S2, see **Box 2.4**) must be made on reasonable grounds as at the time they are made. If such grounds cannot be demonstrated, the statements are presumed to be misleading.[49]

HOW WILL IT APPLY IN AUSTRALIA?

The Proportionality Test is effectively equivalent to that contained in certain Australian Accounting Standards in respect of uncertain future matters.[50] However, it is not broadly applied by the AASB nor IFRS Accounting Standards[51] and is not a test under Australian law. Further, the extent of the interaction between the respective 'reasonable grounds' (under Australian law) and 'reasonable and supportable information' tests remains unclear.

It remains to be seen how the Proportionality Test will be applied. However, particularly as data, tools and methodologies continue to mature and proliferate, it is likely to become increasingly difficult to justify non-disclosure on the basis of proportionality. Accordingly, organisations should not assume that any lack of disclosure will be excused by the Proportionality Test and should review their approach at the start of every reporting period.

48 IFRS (February 2023) February staff paper: Proportionality and support for those applying IFRS S1 and S2.
49 s 769C CA, section 12BB ASIC Act.
50 E.g. expected credit losses and estimates of future cash flows for impairment testing purposes which should be reasonable and supportable.
51 In the sense of it used in IFRS Accounting Standards as a broad principle, and is not present in the Conceptual Framework for financial reporting. However, the Proportionality Test does appear within IFRS 9 (Financial Instruments) and IFRS 17 (Insurance Contracts).

FORWARD-LOOKING STATEMENTS AND 'REASONABLE GROUNDS'

Special rules apply to misleading disclosure for forward-looking statements. Box 2.4 sets out the main forward-looking statements required under AASB S2.

BOX 2.4: WHAT ARE THE FORWARD-LOOKING STATEMENTS REQUIRED UNDER AASB S2?

AASB S2 requires that organisations make certain forward-looking disclosures, including:

- **the significant climate-related risks and opportunities** that an organisation reasonably expects could affect its business model, strategy and cash flows, its access to finance, and its cost of capital, over the short, medium or long term;
- **the anticipated changes to the organisation's business model,** including changes to resource allocations, capital expenditures, research and development (R&D) expenditure, acquisitions, divestments and impacts on legacy assets, carbon and water-intensive assets, as well as carbon, energy and water-intensive operations;
- **a description of any transition plan and climate targets**, including the extent to which the plan relies on carbon credits, the amount of the entity's emissions target to be achieved through reductions within the entity's value chain, how the transition plan will be resourced, and the processes in place for reviewing targets. Note that if an entity does not have a transition plan, the disclosure requirement could be met by stating this;[52] and
- **an assessment of how resilient it considers the organisation's strategy and business model are** to future climate-related changes, developments or uncertainties on the basis of climate scenario analysis. The Climate Reporting Legislation requires entities to undertake a minimum of two scenarios – one consistent with 1.5°C warming and one which 'well exceeds' 2°C. This is different from IFRS S2, which does not specify the number or type of scenarios to be used (but does require disclosure of whether the entity uses a scenario aligned with the latest international agreement on climate change).

Representations as to future matters will be deemed to be misleading or deceptive if, as at the time they are made, there were not reasonable grounds for making them.[53] Hindsight will not be applied, such that statements relating to future matters should not be deemed misleading or deceptive should they later be proven as incorrect.

However, directors should insist that reasonable grounds are demonstrable (i.e. their basis is clearly supported and internal processes documented) as at the time the forward-looking statement is made.

Where there is a change in circumstances or underlying assumptions that materially impacts those reasonable grounds, consideration should be given as to whether market updates are required. This consideration is particularly important for listed companies which are subject to continuous disclosure obligations and are required to update climate disclosures where they are material to the market value of listed securities.

There is currently no legislative formula for what 'reasonable grounds' look like in the context of climate. Given that uncertainty, directors should consider issues such as:

- the robustness of the internal processes and assumptions on which the conclusion of reasonableness is based;
- input from relevant experts, and whether it is reasonable to rely on those particular experts (i.e. do they have the relevant expertise?); and
- whether disclosures relating to the material assumptions, dependencies, caveats or uncertainties associated with the forward-looking information should be made (equivalent 'significant judgements' or 'sources of estimation uncertainty' in the notes to the Financial Statements).

52 IFRS S2 para 14.
53 Section 769C CA, section 12BB ASIC Act.

2.6 THE MODIFIED LIABILITY REGIME

To incentivise fulsome disclosure in areas subject to high measurement or outcome uncertainty, the Climate Reporting Legislation proposes a period of regulator-only enforcement over certain disclosures (**Modified Liability**).

The Modified Liability regime will apply to the following '**Protected Statements**' made in the mandated Sustainability Report for the purpose of compliance with AASB S2 or sustainability standard:

- One year from the commencement of the regime for **all forward-looking climate disclosures**; and
- Three years from the commencement of the regime for **scope 3, scenario analysis and transition planning disclosures**.

Additionally, the Modified Liability regime will apply to:

- voluntary disclosures in the Sustainability Report, provided they are made in compliance with the Climate Reporting Legislation or sustainability auditing standards; and
- a subsequent statement that is the same as the Protected Statement (or where any differences are limited to updates or corrections to the original Sustainability Report statement) which is made to comply with a Commonwealth law. Although the scope is yet to be tested, this is expected to cover identical Protected Statement in continuous disclosure updates.

> In response to ASIC's scrutiny of greenwashing, some companies may be tempted to cease all voluntary disclosure, chasing greenwashing with a little 'greenhushing'...this kind of response is just another form of greenwashing; an attempt to garner a 'green halo' effect without having to do the work.
>
> **— Joe Longo**
> ASIC Chair, AFR ESG Summit, June 2023

2.7 WHAT SHOULD DIRECTORS DO TO MANAGE LIABILITY RISKS?

While directors cannot completely eliminate liability risk, there are mitigating steps that can be taken. To do so, directors should require management to demonstrate a **thorough and clearly documented due diligence process when gathering, analysing and communicating climate-related disclosures**.

Practical steps can include:

- **Gathering information that may be relevant to disclosure:** Larger organisations or those which are sophisticated climate reporters will likely be expected to undertake a more thorough search for information than organisations which are smaller and only just starting their climate reporting journey.
- **Assessing information for relevance and materiality:** Require management to clearly explain how they have identified and documented criteria for assessing whether information is relevant or material. When developing your criteria, have regard to the guidance on materiality set out in Section 2.3 and Section 2.4 above. Organisations should be able to clearly articulate why they have made a particular decision as to whether, or how, to disclose on a specific metric. For example, why was a particular climate scenario chosen and why was a particular climate-related risk deemed material – what criteria was applied to assess materiality?
- **External assurance:** Make enquiries of management regarding what level of external assurance may be obtainable, noting the minimum mandatory assurance requirements (see Chapter 1 and Fact Sheet 6). Although directors must always exercise independent diligence in approving their organisations' reports, such external assurance may provide directors with greater confidence in signing off on disclosures and provide additional comfort to the market regarding the accuracy of reporting. Robust internal verification processes will also be key.
- **Disclosing the information:** Any disclosures subject to high degrees of outcome or measurement uncertainty should be clearly identified as such, and should include appropriately detailed information on key assumptions, judgements and methodologies (as required by AASB S2). For better practice, issues which are deemed to not be material (and therefore not disclosed) should be documented in management papers, with the process taken to come to that conclusion clearly set out. Directors should also consider whether they need to make disclosures in the notes to the Financial Statements to explain any uncertainty in material variables, the significant management judgements required, and the potential financial impacts. In the Sustainability Report, state that the disclosures comply with AASB S2 to ensure coverage of relevant disclosures under the Modified Liability regime.
- **Over the horizon:** In addition to the mandatory AASB S2, the AASB has issued a voluntary general sustainability standard, AASB S1, based on IFRS S1. While this standard is currently voluntary, the government has indicated that other sustainability disclosures, such as those related to nature and biodiversity, may eventually become mandatory as part of its 'climate first but not only' policy. Some investors are already seeking nature and other sustainability disclosures when deciding where to allocate capital. Therefore, directors (particularly of larger organisations) should begin considering sustainability-related financial risks and opportunities beyond climate.

BOX 2.5: GREENWASHING AND GREENHUSHING

'Greenwashing' is shorthand for misleading disclosure of an organisation's environmental credentials. In the context of climate-related financial reporting, it can commonly arise where organisations understate the risks associated with climate change for their corporate strategy or financial prospects, or overstate the resilience of their organisation to those risks. This ultimately misrepresents the impacts of climate on their financial position or prospects.

Greenwashing is the subject of increasing scrutiny by environmental activists, shareholders and corporate regulators. This scrutiny, combined with concerns associated with forward-looking uncertainty and incomplete data, has led to the rise of 'greenhushing'.

Greenhushing refers to where organisations seek to minimise the risks associated with climate-related financial disclosures by saying little to nothing on key risks, emissions reduction targets and/or transition plans.

Greenhushing can lead to poor commercial and legal outcomes and is not a sustainable solution to managing risk. Commercially, investors, customers and other market stakeholders increasingly view a viable and evidence-based transition strategy as a 'ticket to play'. There can also be legal implications for failing to make disclosures where these are required to be made (such as where climate-related risk is considered material), or where the disclosure is mandated under AASB S2. This sentiment was echoed by ASIC Chair Joe Longo in a speech to the AFR ESG Summit in June 2023:[54] *"In response to ASIC's scrutiny of greenwashing, some companies may be tempted to cease all voluntary disclosure, chasing greenwashing with a little 'greenhushing'...this kind of response is just another form of greenwashing; an attempt to garner a 'green halo' effect without having to do the work."*

2.8 WHAT HAPPENS IF DIRECTORS GET IT WRONG? PENALTIES FOR MISLEADING DISCLOSURE

There is a general prohibition on making misleading statements in financial reporting.[55] Directors can either be primarily 'engaged' in the misleading conduct, or accessorily 'involved' in their corporation's misrepresentation where they have aided, abetted, counselled or procured the contravention or otherwise been knowingly concerned in it.[56]

The Climate Reporting Legislation makes failure to comply with the Climate Reporting Legislation a civil penalty under the *Corporations Act 2001* (Cth). However, in response to concerns raised by the AICD and others about the liability exposures associated with the new regime, the Climate Reporting Legislation sets out a time-bound 'modified liability' regime. Modified Liability is intended to incentivise organisations to make more fulsome disclosures in highly uncertain areas without undue private litigation risk. See **Section 2.6** for more information on Modified Liability.

Notwithstanding Modified Liability (which should provide additional protection over the most uncertain disclosures in the early years of the mandatory climate reporting regime) directors should remember that the threshold of liability for misleading disclosure is not high under Australian law. It is based on whether the impression conveyed to a reasonable user of the reports is likely to mislead or deceive.[57] Intention to mislead (or otherwise) is not relevant – a director may have acted both honestly and reasonably in making the relevant statement (or omission) and still be exposed to liability.[58]

Following the expiration of the Modified Liability regime, shareholders may seek compensation for loss or damage caused by any misleading disclosure. Declarations or injunctions may also be sought, for which there is no need to demonstrate that the misrepresentation caused loss or damage. As a consequence, claims for declaratory or injunctive relief alone are sometimes brought by activist groups as well as shareholders.

It is important to recognise that continuous disclosure laws sit outside of the Modified Liability regime, meaning that shareholder claims under these laws can still be brought from the inception of the mandatory climate reporting regime.

54 See speech by ASIC Chair Joe Longo at the AFR environmental, social, and governance (ESG) Summit, 5 June 2023.
55 Part 7 of the CA and Part 2D of the ASIC Act.
56 Section 79 of the CA.
57 *Campomar Sociedad Limitada v Nike International Limited* (2000) 202 CLR 45; *Forrest v ASIC, Fortescue Metals Group Ltd v Australian Securities and Investments Commission* [2012] HCA 39 at [43].
58 *Yorke v Lucas* (1985) 158 CLR 661; *ASIC v Forrest & Ors.*

BOX 2.6: ASIC DIRECTIONS UNDER THE CLIMATE REPORTING LEGISLATION

Under the Climate Reporting Legislation,[59] ASIC can issue the following directions to an entity where it considers the entity's Sustainability Report is incorrect, incomplete or misleading:

- confirm to ASIC that the statement is correct or complete;
- explain the statement to ASIC;
- give to ASIC information or documents that could substantiate or support the statement;
- correct, complete or amend the statement in accordance with the direction;
- if directed to correct, complete or amend the statement, publish the corrected, completed, or amended statement in accordance with the direction; and
- if directed to correct, complete or amend the statement, give the corrected, completed, or amended statement to specified persons in accordance with the direction.

The failure to comply with an ASIC Direction is a strict liability offence and attracts 60 penalty units.[60]

In September 2024, ASIC issued some **guidance** on its enforcement approach to the mandatory climate reporting regime. This guidance states that where ASIC considers that a Sustainability Report disclosure is incorrect, incomplete or misleading, it may use its new direction power to direct the entity to:

- confirm that the statement is correct or complete;
- explain the statement;
- provide information or documents that substantiate or support the statement;
- correct, complete or amend the statement; and/or
- publish the corrected, completed or amended statement, or give the statement to specified persons, in accordance with the direction.

2.9 DUTIES BEYOND MISLEADING DISCLOSURE

It is now uncontroversial that consideration of climate change may be relevant to a director's duty to act in the best interests of the company and their duty of care and diligence.[61] This will apply to the spectrum of directors' corporate governance responsibilities, including strategy and risk oversight as well as reporting obligations.

2.9.1 Best interests' duty

In 2022, the AICD commissioned legal advice from Bret Walker AO SC and Gerald Ng Of Counsel setting out their views on the content of the best interests' duty under s 181(1) (a) of the *Corporations Act 2001* (Cth).[62] The opinion made clear that the law does not assume shareholder or member interests are best served by ignoring other stakeholders, particularly over the longer term. Rather, employees, customers, suppliers, creditors, Traditional Owners and the environment are legitimate concerns of directors, tied back to the long-term interests of the company, including its interest in avoiding reputational harm.[63]

Accordingly, directors need not view their best interests' duty as prohibiting consideration of climate change impacts. Indeed, such consideration may be necessary to build and maintain long term value.

2.9.2 Duty of due care and diligence

In addition to liability for misleading disclosure, directors can be liable for a breach of the duty of due care and diligence[64] if the misleading statement is a product of their failure to adequately oversee the contents of the report, or the robustness of the systems by which the information is produced.

The duty of due care and diligence holds directors to a standard of competence that could be expected from a reasonable director acting in similar circumstances. 'Due care and diligence' requires much more than a passive reading and approval of the financial reports. Similarly, active oversight and engagement with management is typically required for the board to sign off on major corporate reports, such as the new Sustainability Report.

59 s 296E(1) Climate Reporting Legislation.
60 s 296E(2), (3) and (8) Climate Reporting Legislation.
61 This is a result of the evolution of climate change from a purely 'ethical, non-financial, environmental' issue to one that can present foreseeable and often material financial risks and opportunities across mainstream investment horizons.
62 Brett Walker SC and Gerald Ng (May 2022) Memorandum of Advice: The Content of Directors' "Best Interest" Duty.
63 Australian Institute of Company Directors (May 2022) AICD Practice Statement – Directors' "best interests" duty in practice.
64 Section 180(1) of the CA.

BOX 2.7: SOME SUGGESTED STEPS PRIOR TO REPORT APPROVAL[65]

Directors must satisfy themselves of the accuracy of the Annual Report, which will now include the mandated Sustainability Report for entities covered by the Climate Reporting Legislation (see Section 1.3 in Chapter 1). In doing so, directors should carry out a careful review of the four reports of the Annual Report (including the Sustainability Report), determine that the information meets *Corporations Act 2001* (Cth) requirements (including the AASB S2) and that it is consistent with the board's knowledge of the organisation's financial position and affairs. All material matters (see discussions on materiality in Section 2.3 and Section 2.4) known to the board – or that should be known – should be disclosed. To support the discharge of their duties, directors should:

- **Apply a contemporary understanding of relevant climate-related issues and the evolving landscape of reporting obligations.** This does not mean that every director needs to become a 'climate expert'. However, it does mean ***all*** directors should develop and maintain a level of functional literacy in relation to climate change issues that enables them to robustly and critically evaluate the potential impact on the organisation and its reports. Capacity-building will be critical.
- **Specifically consider how climate-related issues have been integrated into the organisation's financial reports**. This includes interrogating the content of reports (both material disclosures and omissions), the reasonable grounds on which each disclosure is based, and areas requiring significant management judgement.
- Consider what **additional disclosures** may be required in order to present a true and fair view.
- **Inquire further** into any matters revealed by that financial report, of management and of external auditors as appropriate.
- Consider **what external assurance can be obtained** over disclosures, to support directors in making the requisite declarations and demonstrating that they had reasonable grounds for inherently uncertain forward-looking disclosures. Robust internal verification processes should also be insisted upon.

Directors should also **consider whether the information gathering frameworks, internal controls and governance processes in place are robust and fit-for-purpose** (see practical steps set out in Chapter 3).

65 ASIC (June 2017) Information Sheet 183 (INFO 183) Directors and financial reporting.

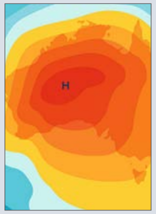
BOX 2.8: FURTHER GUIDANCE ON DIRECTORS' DUTIES AND CLIMATE CHANGE

Directors can learn more about the application of directors' duties to climate-related issues in a series of high-profile opinions by Noel Hutley SC and Sebastian Hartford-Davis Of Counsel in 2016, 2019 and 2021.[66] You can also find out more in the following publications:

Directors' best interests' duty in practice

Introduction to climate governance e-learning module

Climate risk governance guide



Climate governance for Australian directors short course

Climate risk governance guide

Principles for setting climate targets: A guide for Australian boards

QUESTIONS FOR DIRECTORS TO ASK

1. How did we decide that the identified risks and opportunities were material? Did we document that process?
2. How comfortable are we as to the robustness of our materiality assessment?
3. Have we clearly set out the assumptions, judgements and methodologies applied in respect of any disclosures subject to a high degree of uncertainty?
4. How comfortable are we as to the robustness of our due diligence process to ensure that forward-looking representations are made on 'reasonable grounds'? What external assurance should we seek to obtain?
5. Are climate-related disclosures consistent across the Financial Report (including Financial Statements and Notes), voluntary Sustainability Report, Directors' Report/OFR and Remuneration Report? Are any amendments required to ensure consistency?

66 Directors can read about the 'Hutley Opinions' in Climate Change & Directors Duties – Legal Opinion by Sarah Barker in 2016 and CPD releases new materials on directors' duties, climate risk and net zero published on the CDP's website in 2023.

Chapter 3 | Practical steps to support mandatory climate reporting

KEY POINTS

1. Take stock of what the organisation is already doing to manage climate-related risks and opportunities. This includes:
   - who has executive responsibility;
   - how climate-related risks and opportunities are identified and managed;
   - what mitigation and adaptation activities are underway; and
   - what disclosures and representations are currently being made.
2. Identify the gap between 'current state' and required 'end state' under AASB S2, and consider:
   - what additional resourcing is required;
   - whether governance structures are fit for purpose;
   - what can we learn from market leaders in our industry; and
   - where does climate reporting sit relative to other priorities.
3. Do not let perfection stand in the way of progress. Getting started is most important, followed by communicating transparently with relevant stakeholders as to the organisation's methodologies, approaches, limitations and progress. Disclosures will improve as data gaps and capability shortages are addressed.

3.1 SUMMARY: AREAS WHERE DIRECTORS SHOULD FOCUS THEIR EFFORTS

To prepare for mandatory climate reporting, directors should focus their efforts on the below:

3.2 GOVERNANCE

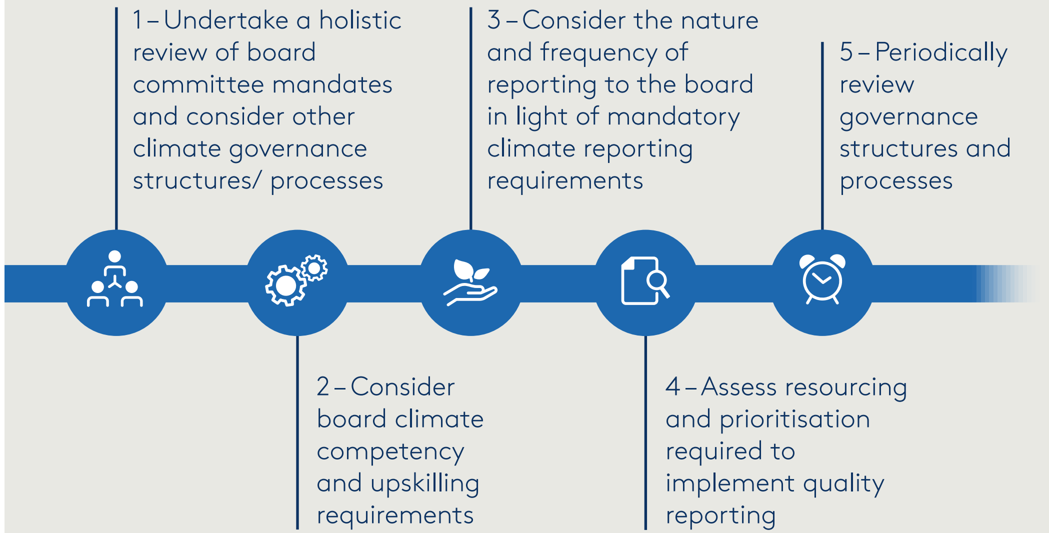
While management is responsible for implementation, it is ultimately the board that has final approval of strategy and risk management positions. It is therefore up to the board to require management to effectively address climate-related risk and opportunity while maintaining an active oversight role.

BOX 3.1: GOVERNANCE DISCLOSURES REQUIRED UNDER AASB S2

AASB S2 requires entities to make the following governance disclosures:

- Which body/ individual has primary responsibility for the oversight of climate-related risks and opportunities, including whether the role is delegated to a specific management-level position/ committee and how oversight is exercised over that position/ committee.
- Details about how the body/ individual oversees climate-related risks and opportunities, including:
  - how this responsibility is set out in the relevant constituent documents, such as the committee mandate or position description;
  - how the body/ individual determines whether appropriate skills and competencies are available/ will be developed to oversee strategies to respond to climate-related risks and opportunities;
  - how and how often the body/ individual is informed about climate-related risks and opportunities;
  - how the body/ individual takes into account climate-related risks and opportunities when overseeing the entity's strategy, its decisions on major transactions and risk management processes, including the consideration of trade-offs;
  - how the body/ individual oversees the setting of targets and how they monitor progress against the targets;
  - whether, or how, climate-related performance metrics are integrated into the remuneration policies of the individual/ body; and
  - whether management uses controls and procedures to support the body/ individual with its oversight function, and how these controls and procedures are integrated with other internal functions.

FIGURE 6: Suggested actions – governance disclosures



1 – UNDERTAKE A HOLISTIC REVIEW OF BOARD COMMITTEE MANDATES AND CONSIDER OTHER CLIMATE GOVERNANCE STRUCTURES/ PROCESSES

Research commissioned by the AICD and conducted by Herbert Smith Freehills (HSF) in early 2024 (as an update to 2022 research by HSF set out in the '**Bringing together ESG**' resource) found that:

- 74 per cent of the ASX 50 companies (up from 50 per cent in 2021) reference 'environmental impact' or consideration of 'environment' in their board charters and 20 per cent explicitly mention 'climate' (up from eight per cent in 2021).
- Among the larger ASX 200 cohort, 52 per cent (up from 38 per cent in 2021) of board charters include references to environmental considerations in their board charters, while 16 per cent explicitly refer to 'climate' (up from 5 per cent in 2021).

Board committees

Boards may wish to consider whether relevant board or committee charters or terms of reference need to be updated to support effective oversight and make explicit how climate is relevant to existing committee structures.

Having done this analysis, directors should consider which board committee is best placed to have closer oversight over climate-related risks and opportunities. This may include a Sustainability Committee, if there is one.

However, while a Sustainability Committee may assist the board in identifying, prioritising and responding to climate-related risks and opportunities, **ultimate responsibility for climate-related issues should remain at the whole-of-board level.**

Insights from the Climate Governance Study 2024 indicate that emerging better practice is to hold joint board committee meetings (such as the Sustainability Committee with the Risk Committee) to deliver on mandates without being caught in silos. It is expected that mandatory climate reporting will increasingly involve input from the Audit Committee, given the requirement to disclose the financial impact of climate-related risks and opportunities and have these subject to mandatory assurance (see Fact sheet 6).

BOX 3.2: HOW COMMON ARE SUSTAINABILITY COMMITTEES? WHAT DO I NEED TO SET ONE UP?

Bringing together ESG: Board structures and sustainability

Climate Governance Study 2024

HSF analysis found that in early 2024 approximately 41 per cent of ASX 200 companies had an ESG or sustainability-focused board committee, up from 31 per cent in 2021.[67]

For guidance on sustainability governance structures including a template committee charter, see the CGI resource, Bringing together ESG.

If there is no stand-alone Sustainability Committee, climate-related responsibilities are most commonly allocated to the Risk Committee, followed by the Audit Committee (often these two committees are fused as a single 'Audit and Risk Committee').

It is important to recognise that, because of the reach and impact of climate change, it may be relevant to various committees in some shape or form. This is set out in Box 3.3 and Figure 7.

67 CGI, AICD and Pollination (February 2024) Climate Governance Study 2024 at page 59; CGI, AICD and HSF (November 2022) Bringing together ESG at page 6.

Board oversight of management

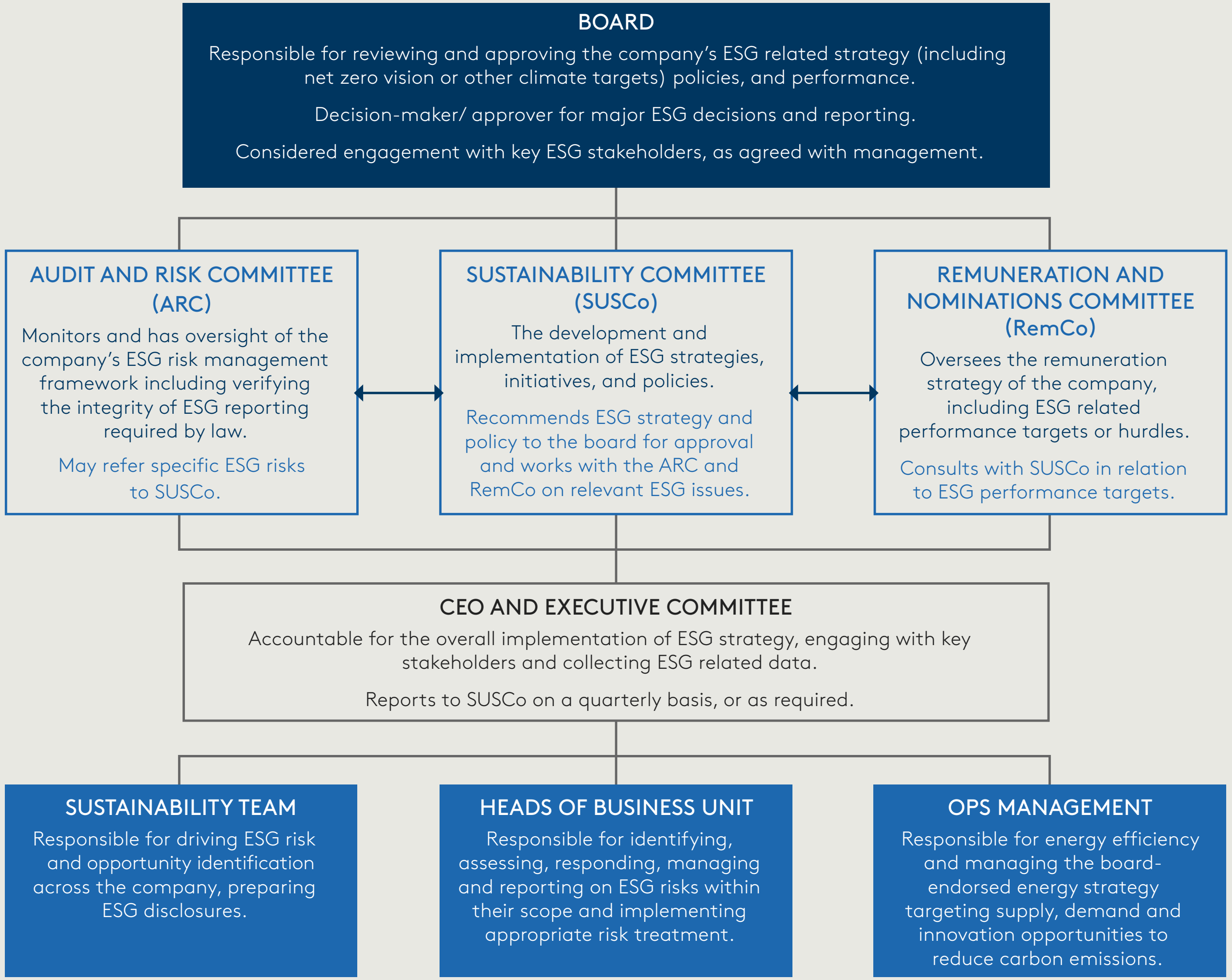
While the board has oversight of the organisation's overall approach to climate-related risk and opportunities, management will have the day-to-day responsibility for execution.

Directors should be clear on who within the organisation has overall responsibility for climate, and/or whether specific aspects are allocated between relevant executives (for example, the Chief Financial Officer (CFO) would typically have accountability for the preparation of financial reports, while the Chief Risk Officer may have responsibility for incorporation of climate into broader organisational risk management frameworks).

Insights from the **Climate Governance Study 2024** indicate that emerging better practice is to ensure early and continuing involvement of the CFO in climate risk and opportunity identification, prioritisation and analysis, transition planning and reporting.[68]

Directors should also satisfy themselves that performance and remuneration structures are aligned with agreed climate-related responsibilities/objectives. AASB S2 specifically requires that organisations provide a description of whether and how climate-related considerations are factored into executive remuneration, and that organisations disclose the percentage of executive remuneration recognised in the current period, that is linked to climate-related considerations.[69]

FIGURE 7: Potential flow of ESG Governance structures



Source: CGI, AICD and HSF (November 2022) **Bringing together ESG**[70]

68 CGI, AICD and Pollination (February 2024) **Climate Governance Study 2024** at page 36.
69 Paragraph 29(g) of AASB S2
70 While **Figure 8** refers to ESG 'risks' this should include risks and opportunities.

BOX 3.3: APART FROM THE SUSTAINABILITY COMMITTEE, WHAT OTHER COMMITTEES MAY NEED TO CONSIDER CLIMATE CHANGE?

The Sustainability Committee may not be the only board committee involved in overseeing climate reporting. In fact, in various places AASB S2 requires disclosure of information that is likely to sit within board committees outside of the Sustainability Committee. These include:

Committee	Relevant AASB S2 topics
Remuneration	• Whether and how related performance metrics are included in remuneration policies. • The percentage of executive remuneration recognised in the current period that is linked to climate-related considerations.
Nominations	• Ensuring that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related risks and opportunities.
Audit	• Oversight of climate reporting more broadly, including ensuring the accuracy of the reporting and that the assumptions, judgements and uncertainties are disclosed, where relevant.
Risk	• The process/es used to identify climate-related risks and opportunities for risk management purposes. • The process/es used to identify, assess and prioritise climate-related opportunities. • The extent to which, and how the climate-related risk identification, assessment and management process/es are integrated into the entity's overall risk management process.

2 – CONSIDER BOARD CLIMATE COMPETENCY AND UPSKILLING REQUIREMENTS

While directors are not expected to be climate experts, a base level of climate competency is necessary. A review of the board composition and skills matrix may be warranted to address any gaps, and upskilling may be required (e.g. board room briefings, formal educational programs, broadening board composition). For some boards, climate change may need to feature in strategy days and in board/ committee annual calendars.

Recommendation 2.2 of the fourth edition of the ASX Corporate Governance Principles (ASX Principles) states that listed entities should have and disclose a board skills matrix setting out the skills that the board currently has or is looking to achieve. The current **Draft Fifth Edition of the ASX Principles** proposes to take this further, and recommends that listed boards disclose their process for how it assesses that the relevant skills and experiences are held by its directors. This suggests a movement towards increasing scrutiny of the individual skills of directors, including in respect of material emerging risk areas such as climate change.

In relation to the current state of board climate competency, the **Climate Governance Study 2024** found that:

- Just under a quarter (23 per cent) of surveyed directors included climate change in their board skills matrix, with higher figures among listed directors (35 per cent).
- Just over a quarter (26 per cent) of surveyed directors stated that their board had undertaken director training on climate governance issues – an eight percentage point increase from 2021, with higher figures reported among listed directors (39 per cent).
- Self-education (in the form of online learning modules, webinars, events, etc.) was the most common form of director climate upskilling, followed by expert presentations and industry roundtables/ peer-to-peer learning.

3 – CONSIDER THE NATURE AND FREQUENCY OF REPORTING TO THE BOARD IN LIGHT OF MANDATORY CLIMATE REPORTING REQUIREMENTS

Directors also need to consider how, and how frequently, it addresses climate as part of its board agenda. Directors need to consider questions such as whether climate change should be a standing-item on the board/board committee agenda, or an ad-hoc one.

Other issues for consideration include:

- What is the process for tracking progress against transition plans and climate metrics?
- How often is this done and how is this disclosed?
- Does this align with stakeholder expectations?

4 – ASSESS RESOURCING AND PRIORITISATION REQUIRED TO IMPLEMENT QUALITY REPORTING

It is important that organisations have sufficient human and financial resources to address this significant change in corporate reporting.

As stated above, directors also need to prioritise climate on the board and board committee agenda and insist on a coordinated approach to climate across the organisation which brings in various departments, such as finance, risk, legal, sustainability and marketing/communications. Such an approach ensures that disclosures and climate representations are consistent, which can assist in mitigating greenwashing risk.

5 – PERIODICALLY REVIEW GOVERNANCE STRUCTURES AND PROCESSES

Given the fluid nature of climate-related developments and expectations, boards should periodically review the ongoing appropriateness of governance structures and processes.

QUESTIONS FOR DIRECTORS TO ASK

1. Do any of the existing board committees' mandates incorporate consideration of climate-related matters? Should they be updated to include this?
2. Which other existing board committees are most appropriate for supporting board oversight of climate-related issues?
3. Is there a need or benefit to establishing a separate board sustainability committee? And if so, how will it work with other relevant committees, such as to the Audit, Risk and Remuneration Committees?
4. Who, within management, has responsibility for climate-related issues? How, and how often, do they report to the board? What performance metrics are they judged against and how is this linked to remuneration?
5. By whom are we being advised, and what is their expertise and experience in this area?
6. What is the level of climate competency at board and management level? What is the plan to upskill, where necessary, and maintain competence?
7. How should climate-related issues be addressed at board and board committee meetings? Should there be standing-items on the board/board committee agenda, or should it be left to ad-hoc discussion based on developments?

3.3 STRATEGY AND RISK

FIGURE 8: Suggested actions – strategy and risk disclosures

1 – IDENTIFY CLIMATE-RELATED RISKS AND OPPORTUNITIES OVER THE SHORT, MEDIUM AND LONG TERM

Organisations are required to identify and report on how climate-related **risks** (see Box 3.4) and **opportunities** (see Box 3.5) could affect their prospects over the **short, medium and long term** (see Box 3.6). Directors need to constructively challenge management on its process to gain a comprehensive view is taken of risks and opportunities covering the whole **value chain** (see discussion in Box 3.18).

BOX 3.4: KEY CLIMATE-RELATED RISKS

Two categories of climate-related risks are generally cited – physical risk and transition risk, although the two are interconnected.

- **Physical risks** arise from the impact of chronic and acute weather events that can have a significant impact on the supply chains, property, equipment and plant assets and product and services of organisations.
- **Transition risks** are related to the process of transitioning to a low-carbon economy and moving away from reliance on fossil fuels, and can include changes in regulatory policy and law, technology and customer preferences.

Mitigating physical impacts requires accelerated decarbonisation which results in higher exposure to transition risks.

BOX 3.5: CLIMATE-RELATED OPPORTUNITIES

> “Companies should do this not because they’re forced to - but choose to - because it’s a great way to communicate to the market and attract capital. A company that is thoughtful on how it is managing sustainability risk and has a great transition plan should be able to attract capital
>
> **— Sue Lloyd**
> Vice-Chairperson of the ISSB

Climate-related opportunities can arise from:

- Strengthened corporate reputation and community standing leading to increased customer demand, rising revenue and increased attractiveness of capital inflows caused by investor interest.
- Resource efficiency opportunities from the reduction of operating costs by improving efficiency across processes, in particular technological innovation.
- Energy source changes as entities shift their energy usage towards low-emission energy sources to save on annual energy costs.
- Market opportunities as entities proactively seek opportunities in new markets or types of assets to diversify their activities.
- Resilience that arises from entities developing the adaptive capacity to respond to climate change to better manage risks and seize opportunities.

For more information on climate-related opportunities, see the CGI Australia Climate Change and organisational strategy, 2023 report.

BOX 3.6: DEFINITIONS OF SHORT, MEDIUM AND LONG TERM UNDER AUSTRALIAN SUSTAINABILITY REPORTING STANDARDS

The Australian sustainability reporting standards (both AASB S2 and AASB S1) do not define short, medium and long term. Instead, they state that it is entity and industry-specific depending on factors such as cash flow, investment and business cycles and planning horizons.

Preparers may wish to have regard to TCFD’s guidance on short-, medium- and long-term targets (see Box 3.12).

To comply with AASB S2, organisations need to disclose the following and identify:

- climate-related risks and opportunities **within its value chain** which could reasonably affect the entity's prospects. To do so, management needs to identify the scope and boundaries of its value chain;
- the amount and percentage of assets or business activities vulnerable to physical and transition climate-related risks, and aligned to climate-related opportunities; and
- the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.

QUESTIONS FOR DIRECTORS TO ASK

1. What is our process/methodology for identifying climate-related risks and opportunities? How do we document this?
2. What are the key assumptions, uncertainties or judgements made in identifying climate-related risks and opportunities? Have we documented these? How are we reporting these?
3. Is there a potential impact of these uncertainties on our assessment of the current and future financial impact of the identified climate-related risks and opportunities?

BOX 3.7: CONSIDERING FIRST NATIONS EXPERIENCES WHEN IDENTIFYING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Australia's First Nations people have a deep and unique connection to Country, possessing an ancestral understanding of the land and water accumulated over countless generations. This knowledge, captured through lore, songs, cultural practices and land and sea management practices, includes critically important climate mitigation and adaptation practices.

Simultaneously, First Nations communities are disproportionately impacted by the adverse impacts of climate change. For example, 6.2 per cent of those affected by the 2022 flooding in regional areas outside Sydney were First Nations people, despite making up just 3.3 per cent of the general population.[71] Such chronic and acute events also disrupt the traditional ways of life of First Nations communities, jeopardising connection with Country.

We encourage organisations to consider how they can integrate First Nations perspectives into their identification of climate-related risks and opportunities, and also when considering which climate mitigation and adaptation solutions to adopt in their climate strategy.

Genuine and respectful engagement with First Nations stakeholders will be key. See the **AICD Stakeholder Guide** for more insight into managing stakeholder relationships.

71 The Conversation (June 2022) **Caring for Country means tackling the climate crisis with Indigenous leadership: 3 things the new government must do.**

2 – ASSESS CURRENT AND FUTURE FINANCIAL AND STRATEGIC EFFECTS OF CLIMATE CHANGE, INCLUDING THROUGH SCENARIO ANALYSIS

Current financial impacts[72]

Management will need to report on the qualitative and quantitative effects of climate change on the entity's business model, value chain, financial position, financial performance and cash flows for the current reporting period. Section 2.3 and Box 2.3 provide details on what some of these financial impacts may be, but as an illustration may include:

- **Revenue impacts** – for example, poorer agricultural yields due to extreme weather events.
- **Cost line implications** – for example, the impact of policy measures such as a carbon tax or levy on exports.
- **Changing estimated useful lives or residual values** – for example, energy intensive machinery being replaced, or losing its market value, sooner than expected.

Anticipated financial impacts

Management will need to provide the following relevant information:

- **Qualitative and quantitative effects** on the financial position, financial performance and cash flows over the short, medium and long term (see examples of some financial impacts set out above).
- **Resilience of the entity's climate strategy and business model** to climate-related changes, developments and uncertainties using **scenario analysis.** Early policy statements from Treasury regarding the mandatory climate reporting regime, suggested that only qualitative scenario analysis would be required initially, moving towards quantitative disclosures for later reporting periods. However, there is no reference to this in either the Climate Reporting Legislation or AASB S2. The decision to conduct qualitative or quantitative scenario analysis in the initial years of the regime should be guided by proportionality (noting the application of the Proportionality Test – see Section 2.5), such that entities with the resources and capabilities to conduct quantitative scenario analysis earlier are recommended to do so.[73]

In July 2024, the International Accounting Standards Board (IASB) issued a draft guidance document entitled Climate-related and Other Uncertainties in the Financial Statements – Proposed illustrative examples. The draft provides eight illustrative examples of how entities can report the effects of climate-related and other uncertainties in their Financial Statements. The illustrative examples in this draft guidance could be a useful resource when considering whether and how to integrate climate-related risks and opportunities into Financial Statements, with the goal of reducing inconsistency between each of the distinct 'parts' of the Annual Reporting suite.

72 Refer to Section 5 (page 11) of AASB/AUASB joint bulletin which outlines common current financial reporting considerations arising from climate related risk.
73 See Treasury June 2023 Consultation Paper, at page 13.

BOX 3.8: CLIMATE SCENARIO ANALYSIS

The Climate Reporting Legislation requires entities to undertake a minimum of two scenarios – one consistent with 1.5°C warming and one which 'well exceeds' 2°C. This is different from IFRS S2, which does not specify the number or type of scenarios to be used (but does require disclosure of whether the entity uses a scenario aligned with the latest international agreement on climate change).

Scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, climate-related scenario analysis allows an entity to explore and develop an understanding of how the physical risks and transition risks of climate change may affect its businesses, strategies and financial performance over time.

Entities typically use existing science-based data sourced from industry accepted datasets to build scenarios for material physical and transition risks and opportunities.

On a macro level, there is typically a trade-off between transition and physical risks. Aggressive transition to net zero reduces physical risks but increases transition risks in the short and medium term. Conversely, delayed transition to net zero increases the impacts of physical risks, despite the avoidance of some of the transition risks associated with decarbonisation.

Where do you get the data to perform scenario analysis?

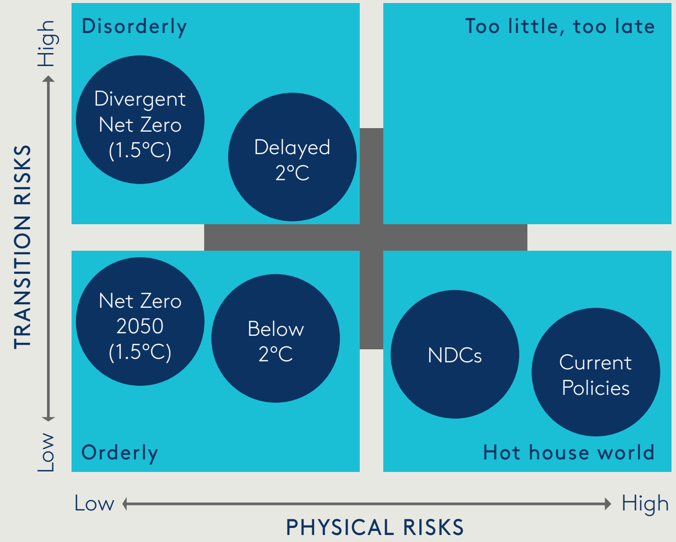
There are currently various scenarios which organisations can apply. These include scenarios produced by the Intergovernmental Panel on Climate Change (the Shared Socio-economic Pathways (SSPs) and the Representative Concentration Pathways (RCPs)), the International Energy Agency (IEA) and the Network for Greening the Financial System (NGFS) framework. A number of scenarios from the NGFS framework can be seen in Figure 9.

Larger organisations will often engage climate modelers to develop climate models tailored to their business against which they disclose.

Challenges faced by entities undertaking scenario analysis

- **Data availability and certainty** – Obtaining accurate and reliable data on climate-related factors can be challenging. Organisations may face difficulties in gathering data on climate variables, physical risks, market trends, and regulatory developments.
- **Uncertainty and complexity** – Climate scenarios involve a high degree of uncertainty due to the complex and interconnected nature of climate systems. Future climate patterns, policy developments, and technological advancements are difficult to predict accurately. Organisations will need to navigate through this uncertainty and develop scenarios that encompass a range of possibilities.
- **Market skills shortages** – There is a scarcity of skilled professionals to support sophisticated scenario analysis.

FIGURE 9: NGFS (2022) Scenarios



Source: NGFS (Sep 2022) NGFS Scenarios for central banks and supervisors.

BOX 3.9: REPORTING RELIEF FROM QUANTITATIVE DISCLOSURE

AASB S2 provides the following relief for organisations that are unable to make quantitative disclosures:

1. **For disclosures as to climate resilience,** including the application of scenario analysis, AASB S2 allows for proportionality in determining an approach to scenario analysis and requires the organisation to consider the available skills, capabilities and resources available. The 'rule of thumb' is that the greater the entity's exposure to climate-related risks or opportunities, the more likely the entity will need to apply a more technically sophisticated form of scenario analysis.[74]
2. **For disclosures as to the current or anticipated financial effects of climate-related risk and opportunities,** an organisation does **not** need to provide quantitative information if it determines that:[75]
   - those effects are not separately identifiable; or
   - the level of measurement uncertainty involved in estimating those effects is so high that the resulting quantitative information would not be useful; or
   - if the entity does not have the skills, capabilities or resources to provide that quantitative information.

Where an organisation takes advantage of the relief set out in point 2 above, it must:[76]

- explain why it has not provided quantitative information;
- provide qualitative information about the specific financial effect(s) it is unable to provide quantitative information for;[77] and
- (if the financial effects are not separately identifiable) provide quantitative information about the combined financial effects of that climate-related risk or opportunity, unless the entity determines that quantitative information about the combined financial effects would not be useful.

Directors have an important role to play in constructively challenging management about their process and conclusions in reporting on the current and anticipated future financial effects of climate-related risks and opportunities.

As a threshold step, finance, legal, risk, marketing and sustainability teams will need to collaborate to prevent a siloed approach being taken to corporate reporting.

QUESTIONS FOR DIRECTORS TO ASK

1. Are disclosures on the current and future anticipated financial effects of climate-related risks and opportunities consistent with the Financial Statements, notes or narrative disclosures?
2. Has management appropriately documented the inputs, assumptions, limitations and methodologies underpinning scenario analysis? Has that process been clearly disclosed?
3. Have we disclosed under at least two of the mandatory climate scenarios (1.5°C aligned and 'well over' 2°C), as required under the Climate Reporting Legislation?
4. Are the conclusions on climate resilience reasonable, having regard to the scenario analysis results?
5. Are we at risk of overstating the resilience of the organisation to climate-related risk?

74 AASB S2, Appendix B, paragraph B4.
75 AASB S2 paragraph 19.
76 AASB S2 paragraph 21.
77 Specifics include identifying line items, totals and subtotals within the Financial Statements that are likely to be affected or have been affected.

BOX 3.10: THE AASB S2 DISCLOSURES THAT MAY RESULT IN ADJUSTMENT TO THE FINANCIAL STATEMENTS, NOTES OR NARRATIVE REPORT

In ensuring connectivity between financial and sustainability reporting, the following areas of climate disclosures may have relevance to financial statement disclosures (the list below is not exhaustive):

- the current effects of climate-related risks and opportunities on the entity's financial position, financial performance and cash flows for the reporting period;
- the anticipated effects of significant climate-related risks and opportunities on the entity's financial position, financial performance and cash flows over the short, medium and long term, including how climate-related risks and opportunities are included in the entity's financial planning;
- the amount and percentage of assets or business activities vulnerable to physical and transition risks;
- the amount and percentage of assets or business activities aligned with climate-related opportunities;
- the price for each metric tonne of GHG emissions that the entity uses to assess the costs of its emissions – see Fact Sheet 4;
- the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities; and
- the percentage of gross exposure to asset classes included in the financed emissions calculation (for asset managers, commercial banks and insurers).

3 – SET A CLIMATE STRATEGY AND DEVELOP A TRANSITION PLAN TO MANAGE RISKS AND SEIZE OPPORTUNITIES

Develop a climate strategy or incorporate climate-related risks and opportunities into broader business strategy in collaboration with management.

While AASB S2 does not mandate the setting of a climate target or transition plan, it does require the disclosure of details if these are set. Furthermore, many stakeholders expect entities to establish **short-, medium-, and long-term climate targets** (see Box 3.12) and have a **transition plan** (Box 3.11) that identifies **mitigation and adaptation activities** (see Box 3.15), even if not legally mandated. For instance, from 2025, some large Australian banks will require certain high-emitting customers to have climate targets and a Paris-aligned transition plan in place as a condition for continuing to access financing.[78]

The setting and disclosure of long-term (e.g. net zero) targets in the absence of interim targets and a transition plan could expose the organisation to accusations of greenwashing.

An organisation's climate strategy and transition plan should be regularly revisited to reflect material developments and evolving market expectations.

A crucial part of the board's role is to probe management so that the climate transition plan and climate targets are accurate and founded on 'reasonable grounds'. This involves challenging management on the assumptions, inputs, and data used to develop these plans and targets.

78 See for example, CBA's 2024 Climate Report at page 59.

BOX 3.11: SPOTLIGHT ON TRANSITION PLANS

AASB S2, defines transition plans as *"an aspect of an entity's overall strategy that lays out the entity's targets and actions for its transition towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions."*[79]

Directors should challenge any transition plans proposed by management to satisfy themselves they comply with expectations, which will include consideration of:

- **AASB S2 requirements:** AASB S2 specifically requires that entities disclose information that enables users to understand the effects of significant climate-related risks and opportunities on business model and strategy, including any ***transition plans.*** This includes disclosure of:
  - How the entity is responding to significant climate-related risks and opportunities and how it plans to achieve its climate targets.
  - Information regarding climate targets including whether targets will be met through emission reductions or through the use of carbon offsets.
  - Quantitative and qualitative information about the progress of plans disclosed in prior periods.
- **Use of carbon offsets:** The extent to which climate targets rely on the use of carbon offsets. In all cases, emissions reduction should be prioritised, with high quality offsets to be used only where reduction is not possible, such as for hard to abate operations or processes.[80]
- **Investor expectations:** Investors have emphasised that disclosures related to an entity's transition plan should detail specific actions and activities the entity is undertaking – or plans to undertake – to support the transition, and what capital or operating expenditure this will require.
- **Verification of transition plans:** There is an increasing expectation that organisations conduct an independent assessment of their climate transition efforts to ensure alignment with stated goals and targets. This process includes reviewing and analysing the organisation's emissions reduction strategies, implementation plans, and progress towards achieving their targets. The Science Based Targets initiative (SBTi) is one such example that offers a rigorous verification process (see Box 3.16). Transition plans are subject to developing guidance. Directors should ensure that management and any internal or external subject matter experts are across the emerging guidance and developments in this critical area. Relevantly, the UK Government's Transition Plan Taskforce (TPT), created in 2022 to develop the 'gold standard' in transition plan guidance, issued its Disclosure Framework, Implementation Guidance and Sector Guidance in 2023 and 2024. For more information on the UK TPT, see Box 3.13.

79 AASB S2 Appendix A (Defined Terms).
80 See pages 19 and 20 of the Report of the UN's High-level Expert Group on the Net Zero Emissions Commitments of Non-state Entities (November 2022).

BOX 3.12: TARGETS AND TIME HORIZONS – WHAT'S REQUIRED?

While international and Australian sustainability reporting standards do not define short-, medium-, and long-term targets, they do require organisations to disclose their definitions.

- **What is short, medium and long term?** Neither the ISSB nor the TCFD specify timeframes for short, medium, and long term. This is because the timing of climate-related impacts on organisations will vary. Rather, the TCFD recommends preparers define timeframes according to the life of their assets, the profile of the climate-related risks they face, and the sectors and geographies in which they operate.[81] For example, for a superannuation or resources company this may be a multi-decade time horizon.
- **What factors should directors consider when selecting time horizons for climate targets?** Directors need to consider the organisation's industry, the nature of its operations, the timeframes necessary for implementing sustainable practices, and the potential timing of impact of climate-related risks and opportunities. Directors should also consider whether their organisation's strategy is to be leading the transition within their industry, or whether they are content to follow competitors. They also need to consider the need for flexibility in adjusting targets as new information and technologies emerge.
- **What reporting is expected of organisations?** Entities should explain the rationale behind the chosen timeframes, considering factors such as the organisation's business cycle, investment cycles, and technological advancements. Directors should also report on the progress made towards achieving the targets and any adjustments made to align with evolving climate-related risks and opportunities.

BOX 3.13: DISCLOSURE FRAMEWORK FOR CORPORATE TRANSITION PLANS: UK TPT

The Transition Plan Taskforce (TPT), established by the UK Government, provides guidance on corporate climate transitions. Announced at COP26 in Glasgow and launched in April 2022, the TPT's goal was to establish the 'gold standard' for corporate transition plans.

In October 2023 the TPT issued its Disclosure Framework and Implementation Guidance, which was followed by Sectoral Guidance in April 2024.

The TPT Disclosure Recommendations are designed to align with the ISSB standards. Entities should incorporate material information about their transition plans, including annual progress updates, within their ISSB-based disclosures.

The TPT Disclosure Framework sets out five elements of a credible transition plan, being (1) foundations; (2) implementation strategy; (3) engagement strategy; (4) metrics and targets; and (4) governance.

In June 2024, the IFRS Foundation said it will take over responsibility for transition plan disclosure resources developed by the TPT.

BOX 3.14: THE AUSTRALIAN GOVERNMENT'S SUSTAINABLE FINANCE ROADMAP

Following consultations in November–December 2023, the Australian Government issued its Sustainable Finance Roadmap (Roadmap) on 19 June 2024. The Roadmap is built on three pillars and 10 priorities. 'Implementing climate-related financial disclosures' is Priority 1 within Pillar 1, while 'supporting credible net-zero transition planning' is Priority 3 within Pillar 1. Treasury has committed to developing and publishing best practice guidance for corporate transition plan disclosures by the end of 2025.

81 TCFD (June 2017) Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures.

BOX 3.15: CLIMATE STRATEGY – ROLE OF MITIGATION AND ADAPTATION

Both climate mitigation and climate adaptation activities can be used when developing a climate strategy.

Climate mitigation focuses on reducing GHG emissions and addressing the root causes of climate change, while **climate adaptation** centres on building resilience and preparing for the impacts of climate change that cannot be avoided. We set out more detail below.

Climate mitigation

- **Refers to** efforts and actions taken to reduce or prevent GHG emissions, thereby minimising the extent and impact of climate change.
- **Involves** implementing strategies and measures to transition to a low-carbon economy, including adopting renewable energy sources, improving energy efficiency, and implementing sustainable practices.
- **Aims** to limit the increase in global temperature and mitigate the negative consequences of climate change.

Climate adaptation

- **Refers to** the actions taken to adjust and prepare for the unavoidable impacts of climate change. Given the uncertain nature of these impacts, scenario analysis and planning with time periods significantly longer than the historical norm, should be considered.
- **Involves** identifying and understanding the risks and vulnerabilities associated with changing climatic conditions and implementing measures to build resilience and adapt to these changes. Climate adaptation strategies can include infrastructure modifications, land use planning, implementing early warning systems, enhancing natural ecosystems, and promoting community resilience.
- **Aims** to reduce the vulnerability of societies, economies, and ecosystems to the impacts of climate change and enable them to cope and recover effectively.

BOX 3.16: 'SCIENCE-BASED' TARGETS

There is no binding definition of what 'science-based' targets means in the context of Australian law. As such, there is a risk of greenwashing if the term is used in a misleading or deceptive way.

Directors need to constructively challenge management to ensure that it has reasonable grounds for calling its target science-based, for example, by complying with an accreditation regime such as the Science-Based Targets initiative (SBTi).

The SBTi is part of the Climate Program and World Resource Institute (WRI)'s work to define and promote best practice in emissions reduction and the setting of net zero targets in line with climate science.

According to the SBTi, targets are 'science-based' if they are in line with the latest climate science and projected to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels, and pursuing efforts to limit warming to 1.5°C.[82]

QUESTIONS FOR DIRECTORS TO ASK

1. Do we have a realistic and evidence-based climate transition plan? Do we have short- and medium-term targets underpinning our long-term targets?
2. What process did we undertake to ensure that our climate transition plan was made on 'reasonable grounds'? Is this documented? Did we obtain external verification and/or assurance?
3. Do we understand how we will adapt to climate change and whether our physical assets are resilient?
4. How reliant are we on future technological developments? What role do carbon offsets play in our plan and how do we verify that offsets are of appropriate quality? Do our current disclosures expose us to greenwashing risk?
5. To the extent that climate targets have been set, have they been informed by the latest international agreements on climate change, including Australian commitments?
6. What are the key uncertainties, assumptions and judgements that underpin our climate strategy and transition plan, including climate targets? What have we done to make these clear in our reporting?
7. What process will we follow to review our transition plans? For listed companies, when will our continuous disclosure obligations be triggered? How will we handle reporting revisions to our plans?

82 SBTi homepage.

4 – OVERSEE COMMUNICATION OF REPORTING

Reporting should be as easily digestible as possible and avoid dense and unnecessary technical language.

Management should also be directed to ensure that any representations to the market or the public, including investor communications, statements on the website and on social media and in advertising, are consistent with climate reports and legal obligations. Any inconsistency can create greenwashing risk. Some organisations have opted to undertake a stocktake of all climate-related communications (including social media accounts) to check for ongoing accuracy. This may be a step that more resourced organisation's may wish to consider.

Seeking feedback from investors and other stakeholders may also assist the organisation in its process of continual improvement and may highlight further areas for development.

QUESTIONS FOR DIRECTORS TO ASK

1. Are the climate-related disclosures consistent with other climate-related representations made by our organisation (e.g. website and social media content, investor briefings, public speeches)?
2. Are our disclosures easy to understand and navigate? Have we been transparent where expected disclosures have not been made?
3. Do we regularly benchmark our reporting against market-leading peers and evolving investor expectations, in Australia and globally?

5 – MONITOR AND PERIODICALLY REVIEW THE CLIMATE STRATEGY

Governance structures should be in place to facilitate regular progress reporting by management to the board, and to have oversight that reporting processes are effective, robust, and capable of capturing relevant data, metrics, and key performance indicators. This allows the board to have a comprehensive understanding of the organisation's climate-related activities and make informed decisions.

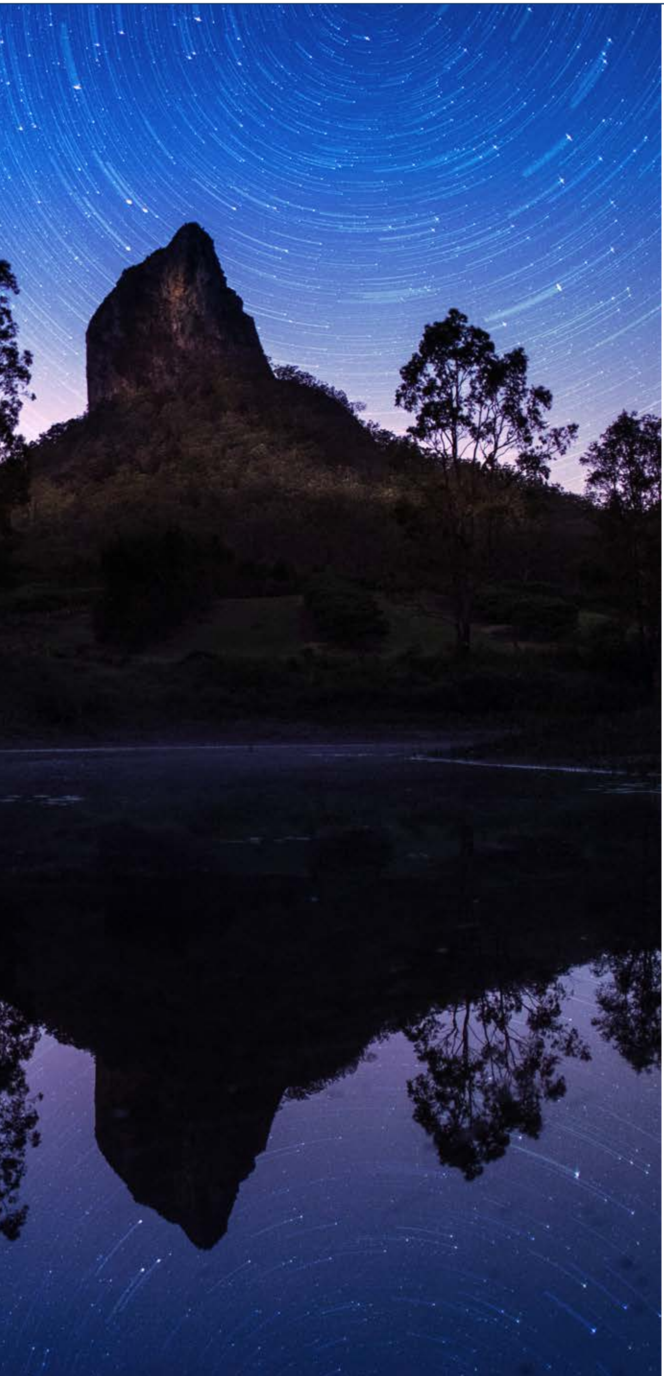
Directors should schedule in periodic reviews of progress on transition plans and climate targets, including assumptions, inputs and judgements. This can involve management providing an update to the board or relevant board committee. It may also be prudent to feature climate change as part of scheduled board strategy days. Ad hoc reviews may also need to take place following any developments which materially impact the transition plan and its assumptions, inputs and judgements.

Management should be directed to maintain a 'watching brief' over climate change developments so as to ensure any such material developments will be quickly (ideally proactively) identified, and appropriate steps taken.

Listed companies should also be alive to their continuous disclosure obligations (See **Box 2.1**).

QUESTIONS FOR DIRECTORS TO ASK

1. Which body/ies are responsible for monitoring the implementation and continued relevance of the climate strategy?
2. How often will the responsible management personnel report to the board or relevant board committee on progress on the climate strategy, including progress on climate targets?
3. Is climate change included in the scheduled board strategy day/s?
4. Is there a process in place to respond to material developments requiring amendment of the climate strategy and/or developments which may trigger Continuous Disclosure obligations?



BOX 3.17: CLIMATE TARGET-SETTING PRINCIPLES

In July 2024, the AICD, in collaboration with the Insurance Council of Australia and Herbert Smith Freehills, released **Principles for setting climate targets: A Guide for Australian boards**. The resource includes 10 guiding principles to support Australian boards establish climate targets and manage associated risks. The principles are organised around four phases: development, implementation, communication and review.

Developing targets

1. Collect reliable baseline data
2. Develop targets that meet ambition and align with strategy, while recognising key dependencies (e.g. emerging technology)
3. Undertake verification and assurance
4. Establish a record-keeping system

Implementing targets

5. Clarify executive accountability
6. Identify and allocate required resources
7. Develop an implementation plan

Communicating targets

8. Communicate targets clearly and consistently
9. Disclose underpinning assumptions, contingencies, uncertainties and risks

Reviewing targets

10. Establish a monitoring system

The resource uses the insurance sector as a case study. However, the principles for climate target-setting are broadly applicable to all organisations.

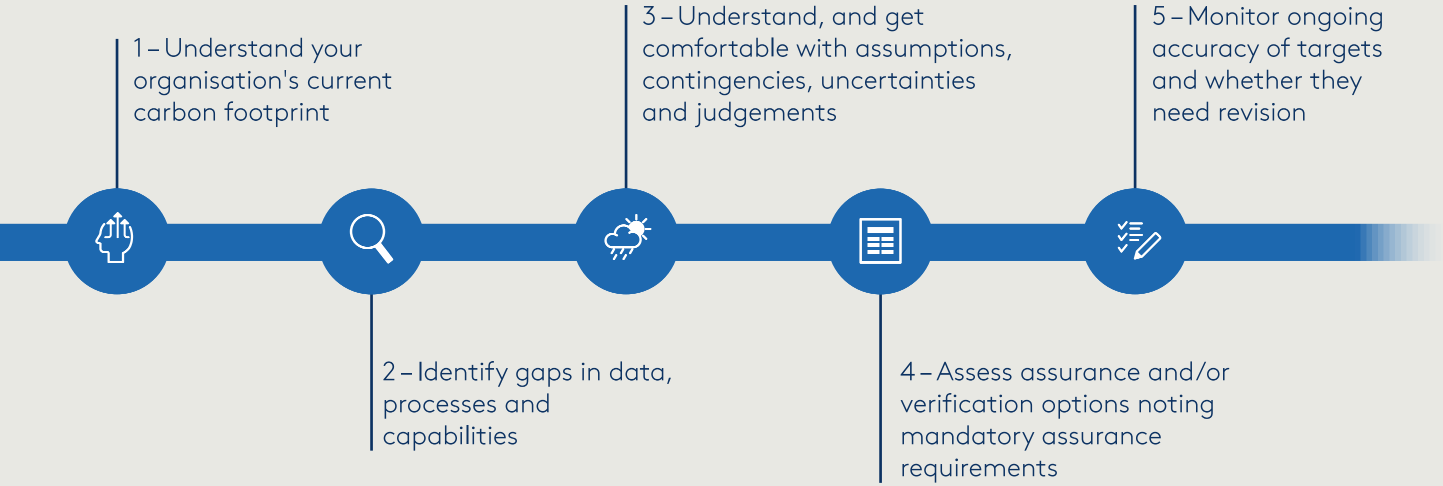
3.4 METRICS AND TARGETS

AASB S2 requires more than the TCFD in terms of the granularity of disclosures. In some cases, the AASB S2 requires the disclosure of additional new metrics not required by the TCFD core recommendations (as distinct from TCFD 2017 and 2021 Implementation Guidance). Table 2 provides an overview of these.

TABLE 2: Overview of additional key metrics required in AASB S2 that are a step-up from TCFD recommendations

TCFD	AASB S2
General recommendation: • Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process. • Describe the targets used by the organisation to manage climate-related risk and opportunities. • Disclose scope 1, 2 and if appropriate, scope 3 emissions.	Specifically requires disclosure of: • All the metrics from the TCFD 2021 guidance which includes: – The percentage of executive management remuneration linked to climate-related considerations. – Internal carbon prices (see Fact Sheet 4). – The amount and percentage of assets or business activities currently vulnerable to physical and transition risk and aligned with climate-related opportunities. – The amount of capital, financing or investment deployed towards climate-related risks and opportunities. • Any transition plans and climate targets (including details on the use of offsets), and processes in place to review transition plans and quantitative information about progress of transition plans. It also requires disclosure of how the target compares with those created in the latest international agreement on climate change, whether it has been validated by a third party, and whether the target was derived using a sectoral decarbonisation approach. • Absolute scope 3 emissions, including upstream, downstream and financed emissions (for those with asset management, commercial banking or insurance activities). However, scope 3 emissions are not required to be disclosed until an entity's second reporting year and are subject to the Proportionality Test (see Section 2.5).

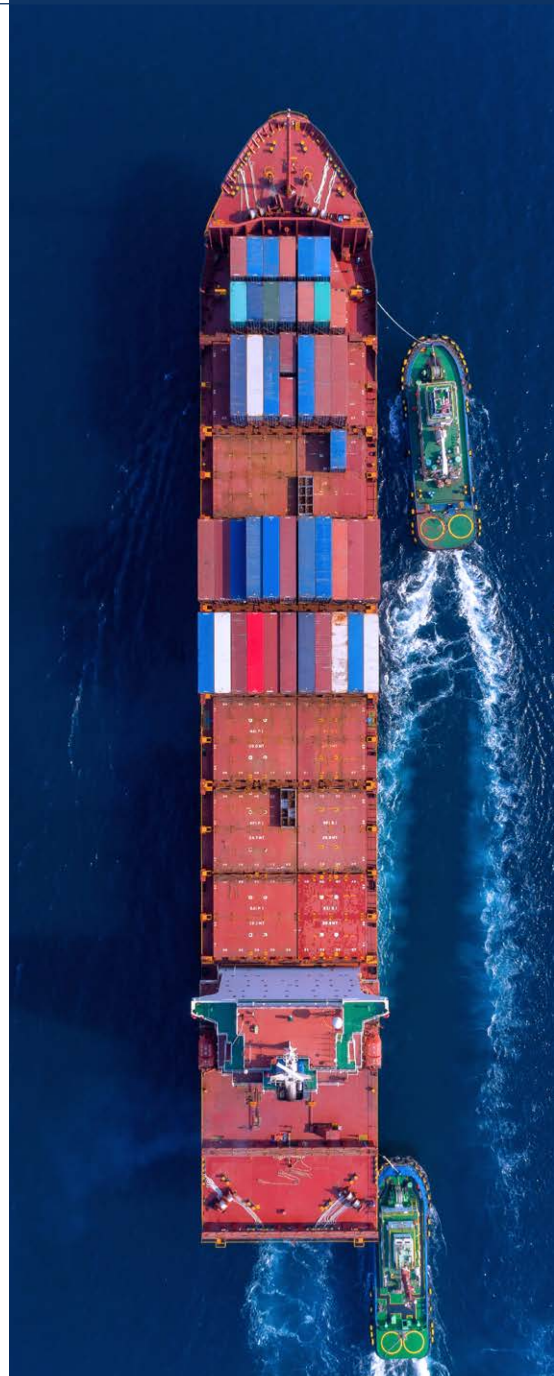
FIGURE 10: Suggested actions – metrics and targets disclosures



1 – UNDERSTAND YOUR ORGANISATION'S CURRENT CARBON FOOTPRINT

Directors have an important role to play in challenging management about the robustness of the process of measuring GHG emissions, and how the uncertainties in these calculations are reported.

As a first step, directors should take stock of the organisation's current carbon footprint and what is necessary to comply with AASB S2 requirements for the measurement of scope 1, 2 and 3 emissions. Directors should also ask management how and why relevant inputs, assumptions and estimates have been used and whether they have changed from previous years (and if so, why).



BOX 3.18: WHAT ARE SCOPE 1, 2 AND 3 EMISSIONS?

AASB S2 requires disclosure of scope 1, 2 and 3 emissions, which are defined below.[83]

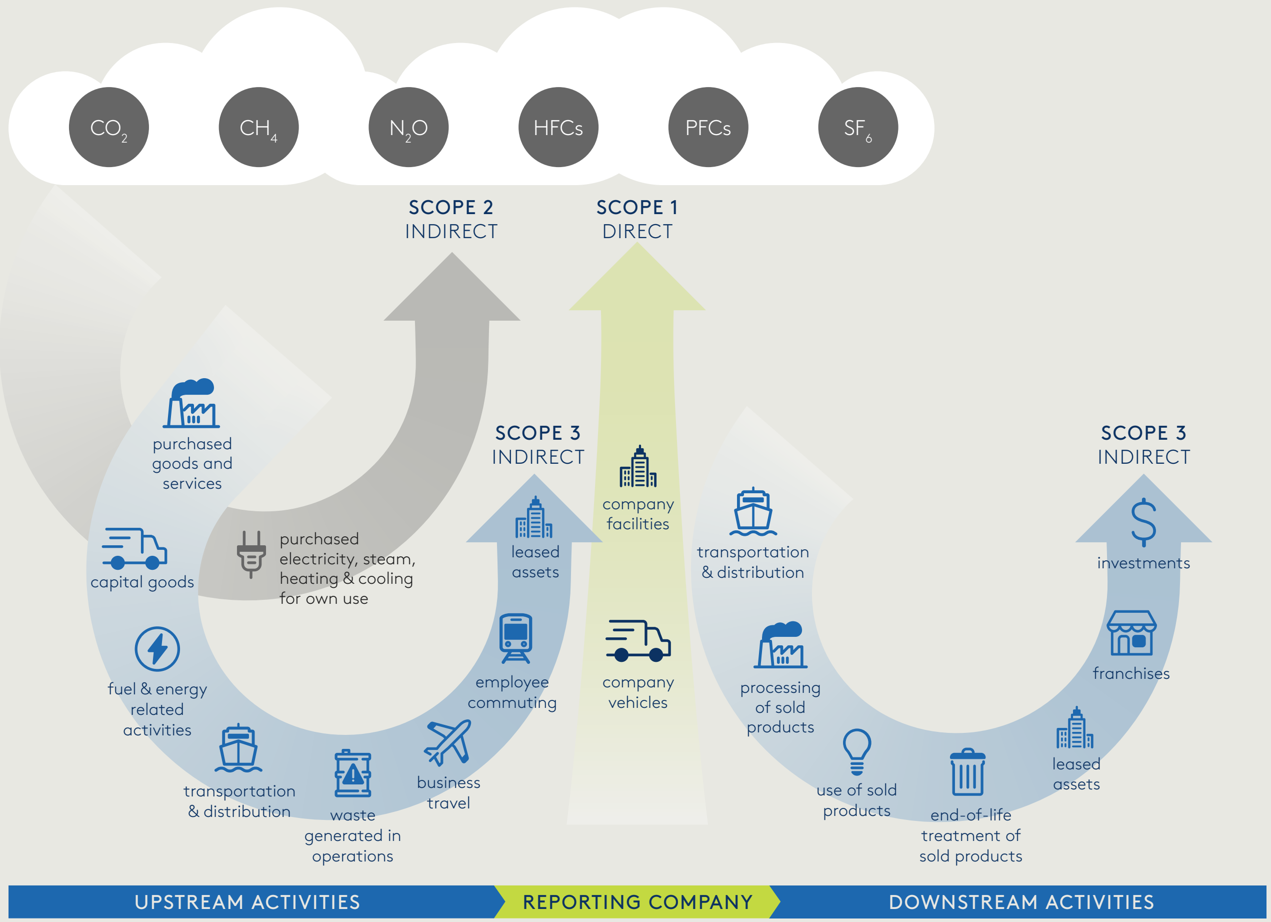
Scope 1 emissions are direct GHG emissions emitted from sources that are owned or controlled by the disclosing organisation, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, or emissions from chemical production in owned or controlled process equipment.

Scope 2 emissions are GHG emissions from the generation of purchased electricity consumed by the organisation.

Scope 3 emissions are all indirect emissions that occur in **the value chain** of the reporting entity, including both upstream and downstream emissions. The value chain encompasses the full range of interactions, resources and relationships within an entity's business model and the external environment in which it operates. This includes everything from product or service conception to delivery, consumption and end of life. The GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011) sets out 15 categories of sources of scope 3 emissions – see Figure 11. AASB S2 requires that entities disclose which of these 15 categories it has included within its scope 3 calculation.

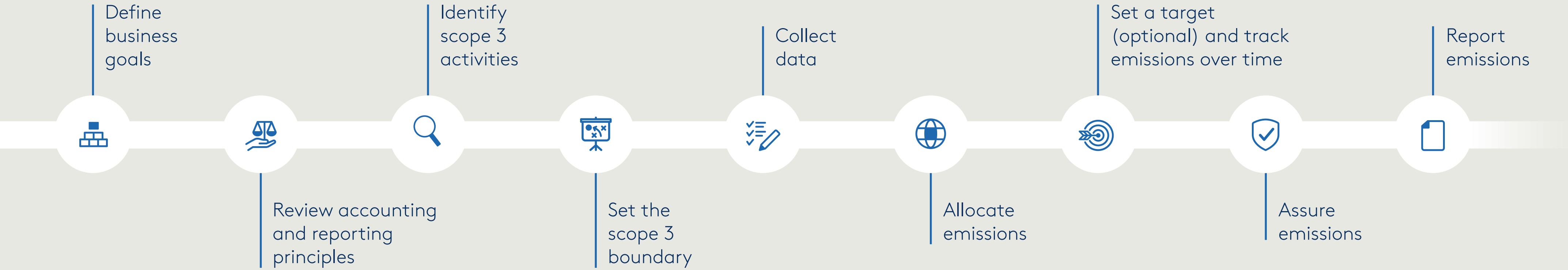
83 Definitions from the Greenhouse Gas Protocol – Corporate Standard (for scope 1 and 2 emissions) and the Greenhouse Gas Protocol – Corporate Value Chain (scope 3) Accounting and Reporting Standard (for scope 3 emissions).

FIGURE 11: Overview of GHG Protocol scopes and emissions across the value chain.



Source: GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011)

FIGURE 12: An overview of the scope 3 calculation process under the Scope 3 GHG Protocol



Source: GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard

Larger organisations, such as the ASX 100 and large financial institutions and those reporting under the NGER Scheme, are likely to already have information on their scope 1 and 2 emissions. For smaller organisations, including NFPs, you may refer to **Climate Governance for NFP Directors: Starting the Journey to Net Zero**, a guide which includes a section detailing how you can assess your organisation's carbon footprint.

AASB S2 requires calculation of scope 3 emissions in accordance with the **GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard** (Scope 3 GHG Protocol), unless the entity is currently required by its jurisdiction to report its scope 3 emissions under a different protocol. The Scope 3 GHG Protocol overview of steps required to calculate scope 3 emissions is set out in **Figure 12**.

AASB S2 requires the disclosure of scope 3 emissions from an entity's second reporting year onwards.

Scope 3 emissions are significantly more difficult to measure than scope 1 and 2 emissions because they require access to information outside of an organisation's direct control. There are also limitations and uncertainties associated with the calculation methodologies. The Scope 3 GHG Protocol refers to three categories of uncertainty in the calculation and disclosure of scope 3 emissions, being parameter uncertainty, scenario uncertainty, and model uncertainty:

- **Parameter uncertainty** occurs as a result of data availability and quality issues associated with obtaining information from sources outside of your direct control. There are also issues associated with how organisations define their scope 3 activities and how they set the scope 3 inventory boundary. Uncertainty arising from data quality can be minimised through having a robust Data Management Plan in place to document the GHG inventory process and the internal quality assurance and quality control procedures.
- **Scenario uncertainty** occurs as a result of variations in calculations as a result of methodological choices made, which include allocation methods, product use assumptions and end-of-life assumptions.
- **Model uncertainty** arises when the models used do not accurately reflect the real world.

The Scope 3 GHG Protocol suggests that in reporting scope 3 emissions, reporters should *"provide as complete a disclosure of uncertainty information as possible"* to assist users.[84] Suggestions include qualitative descriptions of uncertainty sources, or quantitative representations or visualisation tools, such as using error bars, histograms, probability density functions.

AASB S2 also sets out specific disclosure requirements regarding judgements and choices made in applying the GHG protocol such as method and measurement approaches taken, and emission factors used.[85] It also specifies how data based on direct measurement should be prioritised above estimated data.

Where estimated data is used, primary activity data and emission factors (i.e. data obtained directly from activities within the entity's value chain) when available should be used ahead of secondary data (i.e. data not obtained directly from activities within the entity's value chain, such as industry average information).

For further information on scope 3 emissions refer to **Fact Sheet 5**.

How to collect data from your value chain

While many organisations will eventually be subject to mandatory climate reporting, disclosure of scope 3 emissions by these entities will be predicated on access to good quality and reliable data by smaller non-reporting organisations within their supply chains. Organisations which want to take a more structured approach to access of this data may need to consider introducing a contractual requirement to provide emissions data.

QUESTIONS FOR DIRECTORS TO ASK

1. How do we ensure the quality of the inputs for our emissions calculations? Do we have a Data Management Plan in place? Does this include a plan to minimise any uncertainties or quality issues associated with our emissions calculations process?
2. What key judgements and assumptions were applied when calculating emissions, particularly scope 3 emissions?
3. What steps are we taking to obtain reliable data from value chain partners?
4. Are our emissions subject to assurance? If so, what level of assurance? If not, what verification process do we have in place? How can this feed into mandatory assurance requirements?

84 Page 128 of the Scope 3 GHG Protocol.
85 AASB S2, Appendix B, paragraphs B23 – B29.

2 – IDENTIFY GAPS IN DATA, PROCESSES AND CAPABILITIES

In transitioning to mandatory reporting, an assessment of company data collection processes, quality, security, governance and digitisation is recommended. Disclosure of metrics and targets can be particularly difficult where there is measurement or outcome uncertainty, or where there are data gaps. Disclosures in AASB S2 which are subject to these difficulties include:

- the anticipated future effects of sustainability-related risks and opportunities;
- the amount and percentage of assets or business activities vulnerable to physical and transition risk, and aligned with climate-related opportunities;
- climate resilience disclosures, including the undertaking of scenario analysis and its interpretation;
- transition plans and climate targets; and
- scope 3 emissions.

QUESTIONS FOR DIRECTORS TO ASK

1. Are our management accounting systems and other technology solutions fit-for-purpose for AASB S2 reporting requirements?
2. Do we have the data and technology needed to undertake a full scope 3 emissions assessment?
3. Do we have the data and technology needed to undertake scenario analysis?
4. What expert support is needed?

3 – UNDERSTAND, AND GET COMFORTABLE WITH ASSUMPTIONS, CONTINGENCIES, UNCERTAINTIES AND JUDGEMENTS

AASB S2 acknowledges that many of the disclosures cannot be measured directly and can only be estimated (measurement uncertainty) and that outcomes are subject to assumptions and scenarios that are therefore subject to outcome uncertainty. AASB S2 requires that entities disclose information to enable users to understand the most significant uncertainties affecting the amounts disclosed including the sources of measurement uncertainties and the assumptions, approximations and judgements the entity has made in measuring the amount.[86]

It is important that directors probe the assumptions, uncertainties and judgements in the Sustainability Report, and seek confirmation from management that these are made on reasonable grounds.

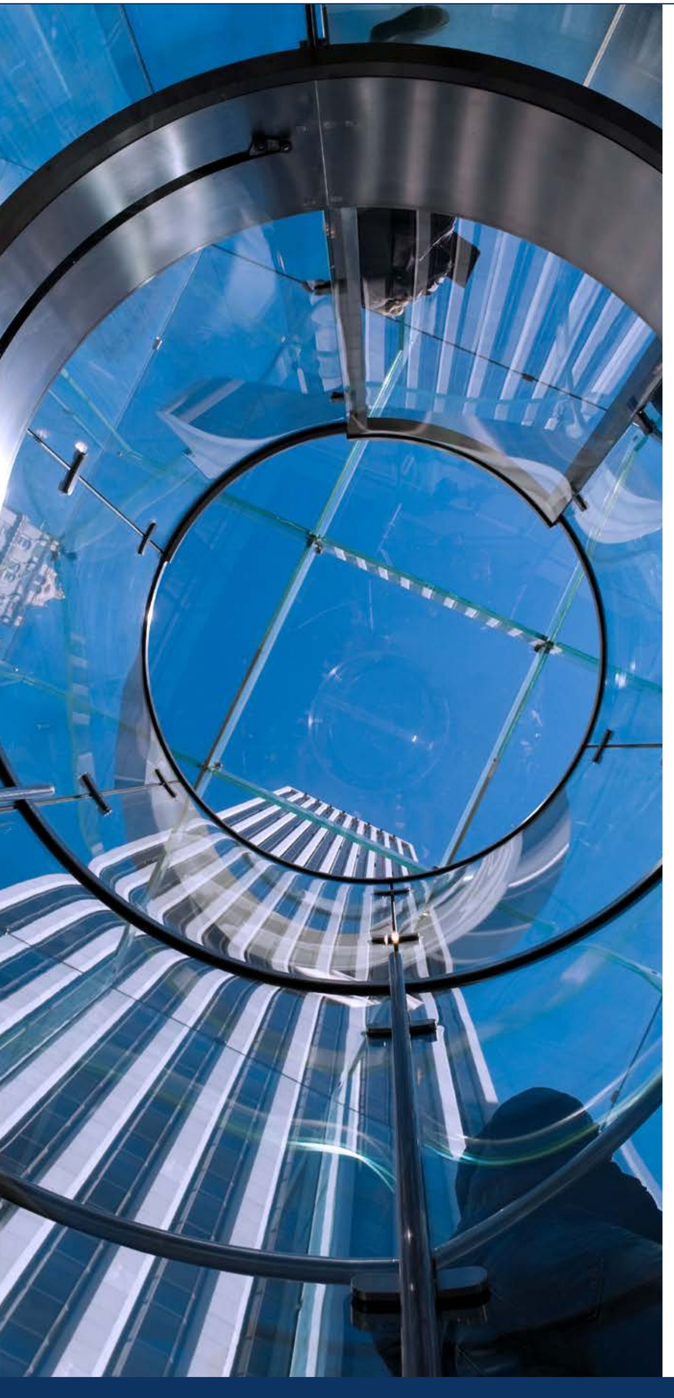
While AASB S2 provides a number of relief and proportionality mechanisms to reduce impact for organisations (see **Section 2.5**), and the Modifed Liability regime can provide transitional liability relief for certain disclosures, directors should work with management to implement processes to minimise data and capability gaps as much as possible.

Finally, do not let perfection get in the way of progress. Set targets and take action based on the information the board has available. Be transparent about methodologies, approaches and limitations. Update as the organisation's climate transition evolves, as well as when data availability and quality improve.

QUESTIONS FOR DIRECTORS TO ASK

1. What key uncertainties exist when calculating and reporting mandatory metrics?
2. Do we have a strategy to reduce these uncertainties?
3. Do we clearly disclose the judgements, uncertainties and assumptions underpinning our disclosures?
4. Are our assumptions made on reasonable grounds? Have we documented them?

86 AASB S2, Appendix D, paragraphs 77 to 81.



4 – ASSESS ASSURANCE AND/OR VERIFICATION OPTIONS, NOTING MANDATORY REQUIREMENTS

Contrary to what was proposed in previous Treasury consultations, the Climate Reporting Legislation has only mandated the 'end point' of assurance – being mandatory assurance over all disclosures from 1 July 2030, with interim assurance requirements to be set by the AUASB.

The AUASB **consulted** on a possible assurance timetable from March to May 2024 (First AUASB Consultation). In September 2024, the AUASB released a draft assurance timeline for consultation. This included the following mandatory assurance phase-in:

- Limited assurance over scope 1 and 2 emissions from the first year of reporting, progressing to reasonable assurance in the second year of reporting;
- Limited assurance over governance and strategy (risks and opportunities), including a statement of no material risks or opportunities, from the first year of reporting, progressing to reasonable assurance in the fourth year of reporting; and
- Limited assurance over all other disclosures from the second year of reporting, progressing to reasonable assurance in the fourth year of reporting.

For more information on assurance and verification, see **Fact Sheet 6**.

Assurance can provide directors with additional comfort that their disclosures have been through an additional level of interrogation.

In addition, like with other corporate reports, directors should expect management to have in place robust internal verification processes.

QUESTIONS FOR DIRECTORS TO ASK

1. What internal verification processes do we need in place? How robust are these processes?
2. Has the organisation satisfied the pre-conditions for assurance?
3. What are the costs and benefits of seeking external assurance?

5 – MONITOR ONGOING ACCURACY OF METRICS AND TARGETS AND WHETHER THEY NEED REVISION

Boards must regularly ask management as to whether performance on climate metrics and targets is on track. Where progress has stalled or fallen behind, boards should consider the need to update climate targets and how this should be communicated to the market.

QUESTIONS FOR DIRECTORS TO ASK

1. How, and how often does management review progress against targets? How, and how often, does management report this to the board?
2. How does management come to the view that metrics and targets cannot be achieved and/or are no longer relevant?
3. Is there a process in place to revise targets where targets cannot be achieved and/or are no longer relevant?
4. In the event that metrics and/or targets need to be revised, how will this be communicated to stakeholders?

FIGURE 13: Implementation timeline

September 2024
AASB releases Australian sustainability reporting standards

September 2024
Climate Reporting Legislation passes Parliament, allowing the regime to commence in Australia on 1 January 2025

By end of Dec 2024 (tentative)
AUASB to issue final Sustainability Audit Standards

1 January 2025
Group 1 reporting commences the beginning of the Modified Liability period

1 July 2026
Group 2 reporting commences

1 July 2027
Group 3 reporting commences

31 Dec 2027
End of Modified Liability and qualified directors' statement periods

From 1 July 2028
Statutory Review into the Climate Reporting regime

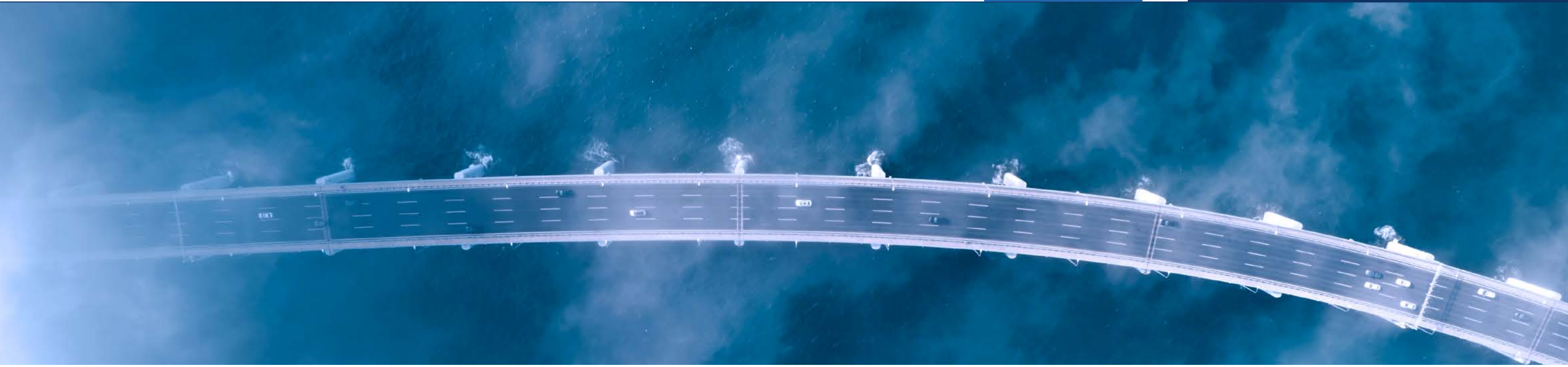
1 July 2030
Mandatory assurance applies to all disclosures

BOX 3.18: KEY DOMESTIC AND INTERNATIONAL SUSTAINABILITY ASSURANCE STANDARD DEVELOPMENTS

There have been continued efforts to standardise the methodology and processes for climate and sustainability assurance. Key developments include:

- In August 2023, the International Auditing and Assurance Standards Board (IAASB) issued, for public consultation, a global sustainability assurance standard (**ISSA 5000**) that is intended to be the 'global baseline' for limited and reasonable assurance over climate and sustainability disclosures, including under the international (ISSB) standards. To inform the AUASB's submission to the IAASB and to shape its thinking on how the ISSA 5000 may need to be adapted to the Australian context, the AUASB held its own consultation into ISSA 5000 (closed 1 December 2023).
- In March 2024, the AUASB issued a consultation into climate and sustainability assurance (First AUASB Consultation). The consultation sought feedback on possible assurance phase-in under the mandatory climate reporting regime (see **Section 3.4**), the adaptation of ISSA 5000 to the Australian context, and what further support entities may need to implement ISSA 5000. The consultation closed on 3 May 2024.
- In September 2024, the AUASB issued a **draft assurance timeline** for consultation. The IAASB also **approved** the final ISSA 5000, with the AUASB looking to issue an Australian adaptation of ISSA 5000 in around December 2024.

For further information on this standard, and on assurance over climate disclosures more broadly, see **Fact Sheet 6**.



3.5 CONCLUSION

We suggest directors use the recommendations and practical steps in this Guide to prepare for climate reporting now.

We also encourage organisations to think of climate reporting not merely as a compliance exercise, but as an opportunity to integrate climate considerations into strategic decision-making, build organisational resilience, and drive sustainable business practices.

3.6 SUPPORTING FACT SHEETS

We have produced supporting fact sheets on key topics, accessible below:

Fact Sheet 1 – Relevance of climate reporting

Fact Sheet 2 – How is mandatory reporting an uplift from the TCFD?

Fact Sheet 3 – EU and US climate reporting requirements

Fact Sheet 4 – Internal carbon prices

Fact Sheet 5 – Further information on scope 3 GHG emissions

Fact Sheet 6 – Assurance and verification pathways.

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Appendix A: Consolidated list of questions for directors

Is my organisation covered by mandatory climate reporting?

- If, and when, will our organisation be covered by the mandatory climate reporting regime in Australia?
- How do the reporting requirements compare with our current practices? What is our plan to bridge any gap? What internal and external expertise is needed?
- If our organisation is not captured, are we likely to be impacted by others' reporting requirements?
- Are any of our overseas operations captured by climate reporting requirements overseas? (See **Fact Sheet 3** for guidance for organisations with EU or US issuance, operations or subsidiaries)

What are the duties and expectations of me as a director?

- How did we decide that the identified risks and opportunities were material? Did we document that process?
- How comfortable are we as to the robustness of our materiality assessment?
- Have we clearly set out the assumptions, judgements and methodologies applied in respect of any disclosures subject to a high degree of uncertainty?
- How comfortable are we as to the robustness of our due diligence process to ensure that forward-looking representations are made on 'reasonable grounds'? What external assurance should we seek to obtain?
- Are climate-related disclosures consistent across the Financial Report (including Financial Statements and Notes), Sustainability Report, Directors' Report/OFR and Remuneration Report? Are any amendments required to ensure consistency?

What should directors be doing to get ready now?

GOVERNANCE

- Do any of the existing board committees' mandates incorporate consideration of climate-related matters? Should they be updated to include this?
- Which other existing board committees are most appropriate for supporting board oversight of climate-related issues?
- Is there a need or benefit to establishing a separate board sustainability committee? And if so, how will it work with other relevant committees, such as the Audit, Risk and Remuneration Committees?
- Who, within management, has responsibility for climate-related issues? How, and how often, do they report to the board? What performance metrics are they judged against and how is this linked to remuneration?
- By whom are we being advised, and what is their expertise and experience in this area?
- What is the level of climate competency at board and management level? What is the plan to upskill, where necessary, and maintain competence?
- How should climate-related issues be addressed at board and board committee meetings – should there be standing items on the board/ board committee agenda, or should it be left to ad-hoc discussion based on developments?

STRATEGY AND RISK MANAGEMENT

1 – Identify climate-related risks and opportunities over the short, medium and long term

- What is our process/ methodology for identifying climate-related risks and opportunities? How do we document this?
- What are the key assumptions, uncertainties or judgements made in identifying climate-related risks and opportunities? Have we documented these? How are we reporting these?
- Is there a potential impact of these uncertainties on our assessment of the current and future financial impact of the identified climate-related risks and opportunities?

2 – Assess current and anticipated financial and strategic effects of climate change, including through scenario analysis

- Are disclosures on the current and future anticipated financial effects of climate-related risks and opportunities consistent with the Financial Statements, notes or narrative disclosures?
- Has management appropriately documented the inputs, assumptions, limitations and methodologies underpinning scenario analysis? Has that process been clearly disclosed?
- Have we disclosed under at least two of the mandatory climate scenarios (1.5°C aligned and 'well over' 2°C), as required under the Climate Reporting Legislation?
- Are the conclusions on climate resilience reasonable, having regard to the scenario analysis results?
- Are we at risk of overstating the resilience of the organisation to climate-related risk?

3 – Set a climate strategy and develop a transition plan to manage risks and seize opportunities

- Do we have a realistic and evidence-based climate transition plan? Do we have short- and medium-term targets underpinning our long-term targets?
- What process did we undertake to ensure that our climate transition plan was made on 'reasonable grounds'? Is this documented? Did we obtain external verification and/or assurance?
- Do we understand how we will adapt to climate change and whether our physical assets are resilient?
- How reliant are we on future technological developments? What role do carbon offsets play in our plan and how do we verify that offsets are of appropriate quality? Do our current disclosures expose us to greenwashing risk?
- To the extent that climate targets have been set, have they been informed by the latest international agreements on climate change, including Australian commitments?
- What are the key uncertainties, assumptions and judgements that underpin our climate strategy and transition plan, including climate targets? What have we done to make these clear in our reporting?
- What process will we follow to review our transition plans? For listed companies, when will our continuous disclosure obligations be triggered? How will we handle reporting revisions to our plans?

4 – Oversee communication of reporting

- Are the climate-related disclosures consistent with other climate-related representations made by our organisation (e.g. website and social media content, investor briefings, public speeches)?
- Are our disclosures easy to understand and navigate? Have we been transparent where expected disclosures have not been made?
- Do we regularly benchmark our reporting against market-leading peers and evolving investor expectations, in Australia and globally?

5 – Monitor and periodically review the climate strategy

- Which body/ies are responsible for monitoring the implementation and continued relevance of the climate strategy?
- How often will the responsible management personnel report to the board or relevant board committee on progress on the climate strategy, including progress on climate targets?
- Is climate change included in the scheduled board strategy day/s?
- Is there a process in place to respond to material developments requiring amendment of the climate strategy and/or developments which may trigger Continuous Disclosure obligations?

METRICS AND TARGETS

1 – Understand your organisation's current carbon footprint

- How do we ensure the quality of the inputs for our emissions calculations? Do we have a Data Management Plan in place? Does this include a plan to minimise any uncertainties or quality issues associated with our emissions calculations process?
- What key judgements and assumptions were applied when calculating emissions, particularly scope 3 emissions?
- What steps are we taking to obtain reliable data from value chain partners?
- Are our emissions subject to assurance? If so, what level of assurance? If not, what verification process do we have in place? How can this feed into mandatory assurance requirements?

2 – Identify gaps in data, processes and capabilities

- Are our management accounting systems and other technology solutions fit-for-purpose for AASB S2 reporting requirements?
- Do we have the data and technology needed to undertake a full scope 3 emissions assessment?
- Do we have the data and technology needed to undertake scenario analysis?
- What expert support is needed?

3 – Understand, and get comfortable with assumptions, contingencies, uncertainties and judgments

- What key uncertainties exist when calculating and reporting on AASB S2 metrics?
- Do we have a strategy to reduce these uncertainties?
- Do we clearly disclose the judgements, uncertainties and assumptions underpinning our disclosures?
- Are our assumptions made on reasonable grounds? Have we documented them?

4 – Assess assurance and/or verification options

- What internal verification processes do we need in place? How robust are these processes?
- Has the organisation satisfied the pre-conditions for assurance?
- What are the costs and benefits of seeking external assurance?

5 – Monitor ongoing accuracy of metrics and targets and whether they need revision

- How, and how often does management review progress against targets? How, and how often, does management report this to the board?
- How does management come to the view that metrics and targets cannot be achieved and/or are no longer relevant?
- Is there a process in place to revise targets where targets cannot be achieved and/or are no longer relevant?
- In the event that metrics and/or targets need to be revised, how will this be communicated to stakeholders?

Appendix B: Glossary

Term	Definition
Australian Institute of Company Directors (AICD)	The AICD is a professional association based in Australia that provides education, training, resources, policy leadership and advocacy for company directors and governance professionals. The AICD aims to enhance the professionalism and effectiveness of directors and promote leading governance practices.[87]
Australian sustainability reporting standards	The two sustainability standards issued by the AASB in September 2024: the mandatory AASB S2 (Climate-related Disclosures) and the voluntary AASB S1 (General Requirements for Disclosure of Sustainability-related Financial Information).
Australian Accounting Standards Board (AASB)	The government body which develops accounting standards in Australia. It was tasked with developing the Australian Sustainability Reporting Standards, AASB S2 (mandatory) and AASB S1 (voluntary).
Australian Auditing and Assurance Standards Board (AUASB)	The government body which develops auditing standards in Australia. It is tasked with developing the Australian Sustainability Assurance Standards, including interim mandatory assurance requirements prior to the legislated 'end state' of mandatory assurance over all climate disclosures by 1 July 2030.
AASB S2	The mandatory climate disclosure standard forming part of the Australian sustainability reporting standards against which organisations captured by Australia's climate reporting regime are required to disclose. AASB S2 was adapted from the international (ISSB) climate standard, IFRS S2.
AASB S1	The voluntary general sustainability reporting standard forming part of the Australian sustainability reporting standards. AASB S1 is adapted from the international (ISSB) standard IFRS S1, and was intended to be used by organisations for sustainability disclosures beyond climate (such as nature and biodiversity disclosures).
Biodiversity	Variability among living organisms, including diversity within and between species and ecosystems.[88]

87 Australian Institute of Company Directors (2023) About AICD.
88 IPCC (2023) Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

Term	Definition
Carbon offsetting and carbon credits	Carbon offsets occur when a polluting entity purchases a carbon credit to compensate for a portion of greenhouse gas it has emitted, thereby decreasing its net emissions. Carbon credits are generated by projects that reduce, remove or capture emissions from the atmosphere, such as reforestation and renewable energy.[89] To achieve net zero emissions, SBTi guidance recommends that offsets account for less than 10 per cent of baseline emissions in final targets, which limits its application within science-based targets.[90] Similarly, the UN's High-level Expert Group on the Net Zero Emissions Commitments of Non-State Entities has stated that "high integrity carbon credits in voluntary markets should be used for beyond value chain mitigation but cannot be counted toward a non-state actor's interim emissions reductions required by its net zero pathway."[91]
Climate Disclosure Standards Board (CDSB)	Established in 2007, the CDSB was a climate reporting framework formed by a consortium of business and environmental NGOs. The CDSB was consolidated into the International Sustainability Standards Board in November 2021.
Climate Reporting Legislation	The Climate Reporting Legislation, mandating the Australian mandatory climate reporting regime, was passed by the Australian Parliament on 9 September 2024 the Legislation set out in Schedule 4 of the **Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024**.
CDP (formerly Carbon Disclosure Project)	Established in 2000, the CDP is a voluntary disclosure framework for companies, cities, states and regions. It is currently used by over 13,000 companies, 1,100 cities, states and regions and nearly 600 investors with over $110 trillion in Assets Under Management (AUM).[92]
Climate Governance Initiative (CGI)	The CGI (**Climate Governance Initiative**) is a global initiative driven by a community of non-executive directors focused on making climate a boardroom priority, building on the World Economic Forum's Principles for Effective Climate Governance. The AICD is host of the Australian chapter.
Climate standards	Used to collectively refer to IFRS S2 and AASB S2.
Corporations Act 2001 (Cth)	The *Corporations Act 2001* (Cth) (also referred to as 'The Corps Act' or abbreviated as 'CA') is the national statute governing companies in Australia and forms the foundation of the country's corporate law. It is administered by the Australian Securities and Investments Commission (ASIC), which is responsible for ensuring companies, schemes and various individuals and entities meet their obligations.
Decarbonisation	Decarbonisation is the process of reducing carbon dioxide and other greenhouse gas emissions to combat climate change. It involves transitioning to low-carbon alternatives and implementing sustainable practices to achieve a significant reduction in emissions and mitigate global warming.
Double materiality	The consideration of both the financial impacts of climate-related risks and opportunities, as well as the impact of the organisation's activities on the environment and society.
Financed emissions	GHG emissions associated with the investments, loans, and financial activities of commercial banks, insurers and asset managers, which is one of the categories of scope 3 emissions (Category 15 under the GHG Scope 3 Protocol).

89 Climate Active (2019) **Carbon offsets**.
90 Science Based Targets (April 2023) **SBTi Corporate Net Zero Standard**.
91 See **Report from the UN High-level Expert Group on the Net Zero Emissions Commitments of Non-state entities** (November 2022).
92 See **CDP** homepage.

Term	Definition
Greenhouse Gas Protocol	The Greenhouse Gas Protocol is a partnership between the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) which was established to develop global standards and methodologies to measure and manage greenhouse gases for private and public sector operations, value chains and mitigation actions. AASB S2 requires organisations to measure their GHG emissions in accordance with the Greenhouse Gas Protocol's Corporate Standard, unless required by a jurisdictional authority on which the entity is listed to use a different method.[93]
Global Reporting Initiative (GRI)	Established in 1997, the Global Reporting Initiative develops and issues sustainability reporting standards. The GRI Standards are used by more than 10,000 organisations in over 100 countries.
Greenhouse Gas (GHG) emissions	The seven greenhouse gases listed in the Kyoto Protocol are: carbon dioxide (CO_2); methane (CH_4); nitrous oxide (N_2O); hydrofluorocarbons (HFCs); nitrogen trifluoride (NF_3); perfluorocarbons (PFCs); and sulphur hexafluoride (SF_6). In Australia, these are reported under the National Greenhouse and Energy Reporting (NGER) Scheme.[94]
Greenhushing	The act of corporate management teams under-reporting or concealing their sustainability action, performance and/or credentials.[95]
Greenwashing	Shorthand for misleading disclosure of a company's environmental credentials. In relation to investments, 'greenwashing' is the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable or ethical.[96]
Integrated Reporting Framework	The Integrated Reporting Framework (IRF) was established in 2013 to promote a cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time. The IRF is not part of the IFRS Foundation and is under the joint responsibility of the International Accounting Standards Board (IASB) and the International Sustainability Standards Board (ISSB).
Internal carbon price (ICP)	Price used by entities to assess the financial implications of changes to investment, production and consumption patterns, as well as potential technological progress and future emissions-abatement costs. See **Fact Sheet 4** for further details.
International Financial Reporting Standards (IFRS) Foundation	The IFRS Foundation is a not-for-profit, public interest organisation established to develop high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards. IFRS comprises two 'sister' boards – the International Accounting Standards Board (IASB), which is focused on financial accounting standards, and International Sustainability Standards Board (ISSB), which is focused on sustainability standards. The IFRS Foundation is also home to the Integrated Reporting and Connectivity Council which is an advisory body and provides guidance on how reporting required by the IASB and ISSB could be integrated and how the IASB and ISSB could consider applying principles and concepts from the Integrated Reporting Framework.

93 IFRS S2 paragraph 29(a)(ii).
94 Australian Government Clean Energy Regulator (April 2023) Greenhouse gases and energy.
95 Planet Tracker (2023) The Greenwashing Hydra.
96 Australian Securities and Investments Commission (June 2023) Information Sheet 271 (INFO 271) How to avoid greenwashing when offering or promoting sustainability-related products.

Term	Definition
International Organisation of Securities Commissions (IOSCO)	Established in 1983, IOSCO comprises securities regulators from countries around the world, covering more than 95 per cent of the world's securities markets in more than 130 jurisdictions. IOSCO provides technical assistance, education, training and research to its members and other regulators.
International Sustainability Standards Board (ISSB)	The International Sustainability Standards Board (ISSB) was formed in November 2021 with a remit to improve the quality and comparability of disclosures by issuing sustainability standards that could form a global baseline of sustainability information. It has also provided the opportunity to consolidate the 'alphabet soup' (see **Figure 2**) of existing sustainability disclosure standards and frameworks. In June 2023, the first two IFRS Sustainability Disclosure standards - IFRS® S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS® S2 Climate-related Disclosures (IFRS S2) were issued.
International sustainability reporting standards or ISSB standards	These terms refer collectively to the two disclosure standards issued by the International Sustainability Standards Board (ISSB) in June 2023 – IFRS S1 (the General Sustainability standard) and IFRS S2 (the climate-disclosure standard).
IFRS S1	IFRS S1 is the General Requirements for Disclosure of Sustainability-related Financial Information standard issued by the International Sustainability Standards Board (ISSB) in June 2023. IFRS S1 sets out key concepts which are intended to apply across the various thematic standards, such as climate. However, the Australian approach has been to integrate the parts of IFRS S1 necessary to give effect to the climate standard (IFRS S2), into AASB S2. IFRS S1 has then been adapted into AASB S1 to serve as a voluntary sustainability standard.
IFRS S2	IFRS S2 is the Climate-related Disclosures standard issued by the International Sustainability Standards Board (ISSB) in June 2023. IFRS S2 has been adapted for the Australian context into AASB S2 and has been made the mandatory standard against which entities covered by Australia's mandatory climate reporting regime must disclose.
Natural environment	The natural, physical surroundings in which all living and non-living things occur on Earth or some region thereof. It includes ecological units that function as natural systems without much human interference, such as vegetation, micro-organisms, soil, rocks, atmosphere, and natural phenomena. The natural environment can also be divided into different domains, such as land, water, plants, and air.[97]
Net zero	The balance between the amount of greenhouse gas that is produced and the amount that is removed from the atmosphere. It can be achieved through a combination of emission reduction and emission removal.[98]
Paris Agreement	The Paris Agreement is a legally binding international treaty on climate change that was adopted by 196 countries at the UN climate change conference in 2015.[99] The goal of the Paris Agreement is to "limit the increase in the global average temperature to well below 2°C above pre-industrial levels" and drive action to "limit the temperature increase to 1.5°C above pre-industrial levels".

97 Victoria State Government (February 2022) The natural environment system.
98 Climate Council (April 2023) What does net zero emissions mean?
99 Paris Agreement to the United Nations Framework Convention on Climate Change, 12 December 2015.

Term	Definition
Physical risks	Risks resulting from climate change that can be event-driven (acute) or from longer-term shifts (chronic) in climate patterns. These risks may carry financial implications for entities, such as direct damage to assets, and indirect effects of supply-chain disruption. Entities' financial performance may also be affected by changes in water availability, sourcing and quality; and extreme temperature changes affecting entities' premises, operations, supply chain, transportation needs and employee safety.[100]
Scenario analysis	Scenario analysis is a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, climate-related scenario analysis allows an entity to explore and develop an understanding of how the physical risks and transition risks of climate change may affect its businesses, strategies and financial performance over time.[101]
Science-based	There is no current Australian sustainability taxonomy in place (although one is being developed) which defines what 'science-based' means in the context of Australian law. However, science-based targets are defined by the Science Based Targets initiative (SBTi) (a well-regarded accreditation regime that defines and promotes best practices in emission reduction and net zero targets in line with climate science) as being those "in line with the latest climate science and projected to meet the goals of the Paris Agreement."
Scope 1 emissions	Direct greenhouse gas emissions that occur from sources that are owned or controlled by an entity.[102]
Scope 2 emissions	Indirect greenhouse gas emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by an entity. Purchased and acquired electricity is defined as electricity that is purchased or otherwise brought into an entity's boundary. Scope 2 emissions physically occur at the facility where electricity is generated.[103]
Scope 3 emissions	Indirect emissions (not included in scope 2 emissions) that occur in the value chain of an entity, including both upstream and downstream emissions. Scope 3 emissions include the scope 3 categories in the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).[104]
Sustainability Accounting Standards Board (SASB)	Established in 2011, the Sustainability Accounting Standards Board (SASB) has developed and issued sustainability disclosure standards for 77 industry sub-types. In August 2022 the International Sustainability Standards Board (ISSB) assumed responsibility for the SASB Standards. Under IFRS S2 organisations must refer to and consider SASB industry metrics, as set out in the IFRS S2 Illustrative Guidance, as part of their disclosures.
Sustainability Report	Specifically refers to the mandatory 'Sustainability Report' required under the mandatory climate reporting regime. This Sustainability Report is the fourth report within the Annual Reporting suite (the other 'reports' being the Financial Report, Directors' Report and Auditor's Report). This mandatory Sustainability Report is separate to any voluntary sustainability reports (which are not subject to the Climate Reporting Legislation requirements).

100 Chartered Accountants, Australia and New Zealand (March 2023) What are climate-related risks and why should you know about them?
101 Corporate Finance Institute (September 2023) Scenario Analysis.
102 International Sustainability Standards Board (June 2023) IFRS S2.
103 International Sustainability Standards Board (June 2023) IFRS S2.
104 International Sustainability Standards Board (June 2023) IFRS S2.

Term	Definition
Task Force on Climate-related Financial Disclosures (TCFD)	Formed in December 2015 by the Financial Stability Board, the TCFD was tasked with identifying and setting out the information needed by investors, lenders and insurance underwriters to assess and price climate-related risks and opportunities. The TCFD released its final recommendations and report in June 2017, with disclosures framed around the four pillars of governance, strategy, risk management and metrics and targets.
Transition risks	Moving to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements relating to climate change. Depending on the nature, speed and focus of these changes, transition risks may pose varying levels of financial and reputational risk to entities.[105]
Transition plan	An aspect of an entity's overall strategy that lays out the entity's targets, actions or resources for its transition as part of the shift towards a lower-carbon economy, including actions such as reducing its greenhouse gas emissions.[106]
Value Chain	The full range of interactions, resources and relationships related to a reporting entity's business model and the external environment in which it operates. This encompasses conception to delivery, consumption and end-of life.[107]
Value Reporting Foundation	Established in 2021, the Value Reporting Foundation merged the Sustainability Accounting Standards Board (SASB) and the Integrated Reporting Framework. In November 2021, the Value Reporting Foundation was consolidated into the International Sustainability Standards Board (ISSB).

105 United States Environmental Protection Agency (December 2022) Climate Risks and Opportunities Defined.
106 AASB S2: Appendix A (Defined terms).
107 International Sustainability Standards Board (June 2023) IFRS S2.

Appendix C: Additional resources

v. Australian Accounting Standards Board

vi. ISSB, IFRS S1 General requirements for Disclosure of Sustainability-related Financial Information (June 2023)

vii. ISSB, IFRS S2 Climate-related Disclosure Standard (June 2023)

viii. Australian Institute of Company Directors and MinterEllison, Climate risk governance guide (Aug 2021)

ix. Australian Institute of Company Directors and Herbert Smith Freehills, Bringing together ESG - Board structures and sustainability (Nov 2022)

x. Australian Institute of Company Directors and Pollination, Climate Governance Study 2024 (March 2024)

xi. Australian Institute of Company Directors and Pollination, Climate change and organisational strategy (Feb 2023)

xii. Australian Institute of Company Directors and Pricewaterhouse Coopers, Climate Governance for NFP Directors (May 2023)

xiii. ASIC Information Sheet 270 (INFO 271), How to avoid greenwashing when offering or promoting sustainability-related products (June 2022)

xiv. ASIC Summary: Sustainability reporting requirements under the Corporations Act 2001 (accessed September 2024)

xv. Deloitte, Leading in the Age of Climate (August 2023)

xvi. Deloitte, The CFO guide to data management strategy (2020)

xvii. Deloitte, Australias first climate standards: no more waiting (2023)

xviii. Deloitte, Mandatory Climate Disclosures introduced into Parliament (2024)

xix. Deloitte, Asia Pacific's Response to International Sustainability Board (ISSB)'s Finalised IFRS S1 and IFRS S2 Standards (July 2023)

xx. Climate Governance Initiative UK, Chapter Zero, Board Toolkit (2022)

xxi. UK Transition Plan Taskforce (UK TPT) Framework and disclosure materials (Oct 2023 – April 2024)

xxii. World Economic Forum Chairs Guide Series:

   a. The Chairperson's Insights into Climate Action (April 2022)

   b. The Chairperson's Guide to Climate Stakeholders (April 2022)

   c. The Chairperson's Guide to Decarbonization (April 2022)

   d. The Chairperson's Guide to a Just Transition (September 2022)

   e. The Chairperson's Guide to Valuing Nature (January 2023)

   f. The Chairperson's Guide to Climate Integrity (July 2023)

Climate Governance Initiative Australia

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