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Business get ready! Australia takes another step forward with climate-related disclosure requirements

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The latest: The Australian Sustainability Reporting Regulation is before the Australian Parliament as a legislative bill, with an aggressive debate schedule on the proposed law.

Why it matters: Sustainable reporting is moving forward for Australian companies and the time to "wait and see" has passed.

Bottom line: The earliest reports are expected in 2026 for fiscal years in 2025. Understanding of the requirements and setting up the basic reporting infrastructure need to happen before 2025 in order to gather the required data for 2026 reporting.

Go deeper.

The Australian proposed sustainability reporting regulation (previously discussed here), also known as The Treasury Laws Amendment (Financial Market Infrastructure and Other measures) Bill 2024 is now before the Australian Parliament for adoption. This follows a comment period on two exposure drafts in 2023 and a draft bill presented in January 2024. The current bill is not significantly different from the draft bill.

The move forward of the proposal and the brisk Parliamentary schedule for discussing it should signal to companies to start preparing for climate reporting now. We reiterate the recommended steps to prepare in the second half of this blog.

What are key provisions in the Treasury Bill and special points of focus for companies?

Framework

The proposed reporting framework aligns to the four pillars within the Task Force on Climate-Related Financial Disclosures (TCFD) requirements, namely governance, strategy, risk management, and metrics and targets. A company will need to consider these pillars in the context of what may reasonably impact its assets, liabilities, cash flows, access to finance or cost of capital over the short, medium and long term.

Greenhouse gas emissions

The proposed legislation prioritises greenhouse gas emissions, which will require measurement in line with the current National Greenhouse and Energy Reporting Scheme (NGERS) legislation. This will include scope 1 and scope 2 emissions at first, and scope 3 emissions over time.

Materiality

The Australian Sustainability Reporting Standards (ASRS, see below) include the materiality concept, similar to accounting standards. In the context of climate-related financial disclosures, information is material if it could reasonably be expected to influence decisions that primary users of general-purpose financial reports make on the basis of it. As such, climate-related material information should not be omitted, misstated or obscured.

The concept of double materiality — where an entity considers both the impact a company has on climate emissions and the impact change in climate may have on the company — can be considered by companies but is not currently required by the proposed legislation. A single materiality metric is currently preferred by the Treasury, focusing on the risks and opportunities that climate has on an entity's prospects.

Note that If there is no impact on the company from climate, then the company is required to state that fact.

Timing and location of reporting

Climate disclosures will need to be presented at the same time and within the same period as a company's general financial disclosures. They will need to be included with the general-purpose financial statements although information can be cross-referenced with another report released at the same time.

Scenario analysis

The proposed legislation envisages a company performing at least two scenarios of possible future-state GHG emissions, with one of these being aligned to the 1.5°C temperature goal in the Climate Change Act 2022.

Assurance

Companies should be prepared for independent assurance over the climate-related disclosures they make. The level of assurance is likely to move from limited to reasonable assurance over time.

Which corporations will be subject to these mandatory reporting requirements, and when?

According to the proposed bill, companies with reporting obligations under the Corporations Act Chapter 2M are in scope for climate reporting, with reporting deadlines as follows:

ASRS Climate Related Disclosures - Implementation Timeline

Implementation of reporting requirements is progressive over the next 6 years with larger organisations required to move faster.

	Falls within one or more of the following categories and required to lodge financial reports under Chapter 2M of the Corporations Act			FY24	FY25	FY26	FY27	FY28	FY29	FY30
	Reporting Thresholds (meet 2 of three reporting thresholds)	National Greenhouse and Energy Reporting (NGER) Reporters	Asset Owners							
GROUP 1 First annual reporting periods beginning on or after 1 January 2025	>$500m revenue >$1bn consolidated assets >500 employees	Above NGER publication threshold	N/A	Prepare	Report Scope 1 and 2 Limited Assurance	Report Scope 1 ,2 and 3 Limited Assurance	Report Scope 1 ,2 and 3 Limited Assurance	Full Reporting Limited Assurance	Full Reporting Limited Assurance	Full Reporting Reasonable Assurance of Scope 1, 2 and 3
GROUP 2 First annual reporting periods beginning on or after 1 July 2026	>$200 gross revenue >$500m consolidated assets >250 employees	All other NGER reporters	>$5bn of assets under management		Prepare	Prepare	Report Scope 1 and 2 Limited Assurance	Report Scope 1, 2 and 3 Limited Assurance	Report Scope 1, 2 and 3 Limited Assurance	Full Reporting Reasonable Assurance of Scope 1,2 and 3
GROUP 3 First annual reporting periods beginning on or after 1 July 2027	>$50m revenue >$25m consolidated assets >100 employees	N/A	N/A			Prepare	Prepare	Report Scope 1 and 2 Limited Assurance	Report Scope 1 and 2 Limited Assurance	Full Reporting Reasonable Assurance of Scope 1, 2 and 3

Reporting entities must retain 'Sustainability Records' to provide evidence for sustainability statements (to explain methods, assumptions and evidence) for 7 years. This is effective immediately once reporting commences.

Note: Asset owners with assets and revenue in excess of $500 million but fewer than 500 employees will follow the schedule for Group 2.

Australian Sustainability Reporting Standards remain the basis for reporting

The Australian Accounting Standards Board (AASB) has not yet finalised the Australian Sustainability Reporting Standards (ASRS) but is expected to do so before the end of 2024. It is continuing to analyze the public feedback received on the standards but close alignment with the IFRS standards is likely. The ASRS will be facilitating the reporting mandated by the Treasury Bill once it becomes law.

What should companies do right now?

To properly prepare, Protiviti recommends that organisations take the following steps:

- Assess the current status, prepare a materiality assessment and establish a solid sustainability strategy to comply with upcoming reporting requirements
- Understand the required metrics responsive to that strategy and the reporting rules
- Establish the reporting structures for the ability to execute the strategy and produce the required information
- Establish a project plan to complete a compliant sustainability report
- Engage with auditors early to understand the scope and approach they will take to providing assurance over the reports

To assist companies with these steps, Protiviti has published a Guide of Frequently Asked Questions that addresses many of the details surrounding these steps. Certain sustainability components such as climate risk assessment, data infrastructure, controls environment, governance mechanisms, KPIs, etc. need to be in place before actual reporting begins. We encourage a dialog with outside experts, including our own ESG team, to ensure companies have the appropriate ESG strategy and reporting infrastructure in place before the first compliant report is due.

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