

The Commencement of the Mandatory Climate Reporting Regime in Australia

Who, When, What, Why and How?

Introduction

From 1 January 2025, mandatory climate reporting legislation becomes law¹, meaning that from this time, the largest corporations in Australia (with smaller organisations phased in at a later date) will be required to report on their climate related risks and opportunities in a mandatory sustainability report.

Our March 2024 publication ([Proposed Mandatory Climate and Sustainability-related Financial Disclosure – What You Need To Know](#)) provided details of the then proposed changes to the law, and readers should consult that note for further detail.

The change in law presents new challenges for businesses, which will require real consideration by business leadership; not just to ensure compliance but to also provide quality reports that demonstrate the resilience to address the transitional risks of climate change, and the creation of long-term value for the business.

At this stage, it is critical for board members to understand the significance of this reporting requirement and their role and responsibilities as directors. Here, we provide a summary of the mandatory climate reporting regime in Australia to effectively support businesses through this change.

¹ *Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024* (Cth) (assented 17 September 2024), which amended the *Corporations Act 2001* (Cth).



Who is impacted by the mandatory climate reporting regime?

Group 1 – Entities that fulfil two of the following criteria:

- Over 500 employees
- AU\$1 billion+ in consolidated gross assets
- AU\$500 million+ in consolidated annual revenue

Reporting entities that are also National Greenhouse and Energy Reporting (NGER) Scheme “controlling corporations” that meet the NGER Scheme publication threshold will also be included in Group 1.

Group 2 – Entities that fulfil two of the following criteria:

- Over 250 employees
- AU\$500 million+ in consolidated gross assets
- AU\$200 million+ in consolidated annual revenue

Registered schemes, registrable superannuation entities or retail corporate collective investment vehicles (CCIVs) (i.e. asset owners) with the value of assets under management (AUM) of AU\$5 billion+ will also be included in Group 2.

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.

Group 3 – Reporting entities that fulfill two of the following criteria:

- Over 100 employees
- AU\$25 million+ in consolidated gross assets
- AU\$50 million+ in consolidated annual revenue

Note that only Group 3 entities facing material climate-related risks or opportunities are required to disclose under the regime. If these entities conclude that they have no material climate-related risks or opportunities, then they are required to provide a statement that justifies their decision. In addition, a director’s declaration is still required.



When will the mandatory climate reporting regime take effect?

Group 1 – Reporting period commences 1 January 2025

Group 2 – Reporting period commences 2 July 2026

Group 3 – Reporting period commences 1 July 2027



Where will mandatory climate reporting be disclosed?

The mandatory climate report – known as the Sustainability Report – will be the fourth component of a company's annual report.



What disclosures will be required?

Businesses will be required to make disclosures in line with the Australian Accounting Standards Board S2 Climate-related Disclosures (AASB S2), which will then be presented in the sustainability report.

AASB S2 requires disclosures across the areas of:

- Governance
- Strategy
- Risk management
- Metrics and targets (including for greenhouse gas emissions)

A directors' declaration will need to accompany the sustainability report. For the initial three-year introductory period (from 1 January 2025), a qualified directors' declaration that affirms that, in the directors' opinion, the entity has taken reasonable steps to comply with the *Corporations Act 2001* (Cth) (including AASB S2) will be required.

Following this, a formal directors' declaration should state that, in their opinion, the substantive provisions of the sustainability report are in accordance with the *Corporations Act 2001* (Cth), including AASB S2.



What assurance will be required?

Mandatory assurance will be required from 1 July 2030. Prior to this end date, interim assurance requirements have been set by the Auditing and Assurance Standards Board (AUASB) and can be found in its [draft assurance timetable](#).



How will requirements be enforced?

For the initial three-year introductory period (from 1 January 2025), disclosures will be enforced by the regulators, and noncompliance will be subject to a civil penalty

In a statement earlier this year, the Australian Securities & Investments Commission (ASIC) announced that it will adopt a "pragmatic and proportionate" approach during this introductory period and will be more inclined to take action where misconduct is of a serious nature (i.e. conduct that causes harm to investors or primary users).

[Further guidance](#) on ASIC's enforcement approach can be found on its website, or by contacting one of our experts via the contact details below.

The benefit of international sustainability reporting standards is to consolidate existing standards and frameworks and create a global baseline to enable better comparability of sustainability disclosures worldwide.

As a full-service global law firm, with more than 40 offices across four continents, we have access to a network of environmental, social and governance (ESG) and sustainability experts who are available to support multinational businesses in navigating these reporting requirements across their international footprint. For more support, please get in touch with one of the experts below, who can facilitate an introduction.

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