



## Mandatory climate-related financial disclosures introduced into Parliament

Larger entities will report first, but not before December 2025

- In March 2024, the Federal Government introduced a **Bill** into Parliament that seeks to legislate the requirements for mandatory climate-related financial disclosures.
- The Bill is broadly aligned to the January 2024 exposure draft legislation released in Treasury's **third and final consultation** on mandatory climate reporting
- There are however some notable changes from the exposure draft legislation, including for example:
  - **Deferred start date:** The start date for mandatory reporting will depend on when the Bills is passed into law, but will be no earlier than January 2025
  - **Scope clarifications:** The legislation now explicitly states that only entities that have a financial reporting obligation under Chapter 2M of the *Corporations Act 2001* are captured by the sustainability reporting mandate
  - **Clarification of the \$5 billion asset threshold test:** The Bill explicitly restricts the application of the gross asset test to registrable superannuation entities (RSEs), registered schemes and retail corporate collective investment vehicles (CCIVs) and clarifies that these entities are included in Group 2
  - **Broadened modified liability:** The proposed modified liability arrangements have been amended to include statements made in the sustainability report related to transition plans (in addition to Scope 3 emissions and scenario analysis) for reporting periods commencing within three years from the start date, have been extended to cover other forward-looking statements in the sustainability report related to climate for one year, and also extended to statements made in the auditor's report in respect of those areas
  - **Director's declaration on sustainability reports:** A modified director's declaration will apply for the first 3 years.

"A rigorous, internationally-aligned and credible climate disclosure regime will support Australia's reputation as an attractive destination for international capital and incentivise investment in the energy transformation."

**The Hon Dr Jim Chalmers MP**  
Treasurer

## Background

On 27 March 2024, the Federal Government introduced [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024](#). This bill includes the final provisions to implement mandatory climate-related financial disclosures in Australia. The legislation needs to be debated and passed by the House of Representatives and Senate, and receive Royal Assent, before it becomes law.

The proposed legislation is broadly aligned to the [exposure draft legislation](#) released by Treasury in January 2024, but does have some important differences from the previous exposure draft. These changes have been highlighted below with a [green line](#).

At the same time, the Australian Accounting Standards Board's (AASB) [exposure draft ED-SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information](#) closed for comment on **1 March 2024**. At its April 2024 meeting, the AASB will consider a [staff recommendation](#) to defer the planned issue of Australian Sustainability Reporting Standards (ASRS) from July 2024 to November 2024. Once finalised, the ASRSs will provide the requirements against which entities will report.

“This legislation will introduce standardised, internationally-aligned reporting requirements for businesses, to ensure they are making high quality climate-related financial disclosures.”

[Treasurer’s media release](#)

## New start date for Group 1 entities

Despite previously aiming for a proposed start date of 1 July 2024, the ‘start date’ for mandatory climate-related financial disclosures for Group 1 entities is now linked to when the enabling legislation commences (i.e. is passed by Parliament and receives Royal Assent). This will be no earlier than financial years beginning on or after 1 January 2025. This is [at least six months later than originally proposed](#). Specifically, the start date will be determined as follows:

Passage of legislation	Group 1 start date
<b>On or before 2 December 2024</b>	1 January 2025 (i.e. December 2025 for December year-ends, June 2026 for June year-ends)
<b>Between 3 December 2024 and 1 June 2025</b>	1 July 2025 (i.e. June 2026 for June year-ends and December 2026 for December year-ends)
<b>After 2 June 2025</b>	The first 1 January/1 July occurring more than 29 days after the passage of legislation

If the start date is not 1 January 2025 or 1 July 2025, entities otherwise captured in Group 1 would instead report in accordance with the Group 2 timetable.

## Who will be required to report and when?

It is only those reporting entities who are required to prepare financial reports under [Chapter 2M of the Corporation Act 2001](#) which are included in scope of the legislation. Entities that are not required to report under Chapter 2M, or have obtained relief from reporting under Chapter 2M (e.g. entities registered with the Australian Charities and Not-for-profits Commission (ACNC) or entities who have obtained ASIC class order relief under Corporations Instruments) will not be caught by the mandatory climate reporting legislation.



Further, entities are captured by the legislation subject to meeting prescribed thresholds as outlined below:

- Entities which **meet two or more of the prescribed size thresholds** related to employees, consolidated assets and consolidated revenue, or
- Entities required to report under **NGER legislation**, or
- Registered schemes, registrable superannuation entities (RSEs) and retail CCIVs are included in Group 2 if at the end of the financial year the value of **consolidated assets are \$5 billion or more**

As it relates to the third bullet above, the Bill explicitly restricts the \$5 billion gross assets test to registered schemes, RSEs and retail CCIVs (collectively referred to as 'asset owners'). Asset owners that are subject to the \$5 billion asset test for Group 2 are specifically scoped out of Group 1 (even if they exceed two of the three size thresholds for Group 1).

The specific scoping criteria for entities are set out in the table below:

**The three phases of mandatory reporting**

Group	Financial reporting periods commencing on/after	Category				
		Meets two or more of these thresholds			National Greenhouse and Energy Reporting (NGER) reporters	Registered schemes, RSEs and retail CCIVs (asset owners)
		Employees	Consolidated assets	Consolidated revenue		
1	1 January 2025*	More than 500	\$1 billion or more	\$500 million or more	Above NGER publication threshold	Scoped out of Group 1
2	1 July 2026	More than 250	\$500 million or more	\$200 million or more	All other NGER reporters	\$5 billion assets or more
3	1 July 2027	More than 100	\$25 million or more	\$50 million or more	N/A	Consistent with other reporting thresholds (see left)

\*Subject to passage of legislation prior to 2 December 2024

**Concessions**

Entities falling in **Group 3** would only be required to provide disclosures if they face material climate-related risks or opportunities, and where this is not the case, would be able to comply by disclosing a statement that they do not have material climate-related risks and opportunities, as well as an explanation of how it reached this conclusion within their climate statement. Materiality is expected to be consistent with financial reporting and defined by the sustainability standards issued by the AASB. If this exemption is applied, entities would nonetheless be required to include a directors' declaration covering that statement and have the statement audited.

Concessions have also been included for **consolidated groups**. In order to streamline reporting requirements and treat sustainability and financial reporting in a consistent manner, each individual entity that would otherwise be required to prepare a sustainability report would not need to do so if the parent's sustainability report covers those individual entities in the consolidated sustainability report.

## Assurance requirements

Climate disclosures would be subject to assurance requirements similar to those for financial statement audits. The explanatory memorandum accompanying the Bill notes that the auditor of a sustainability report has the same obligations as the auditor of a financial report and should be supported by technical climate and sustainability experts where appropriate.

Assurance requirements for the climate-related financial disclosure information would also be subject to a phased approach. For financial years commencing on or after 1 July 2030, the sustainability report is required to be audited (reasonable assurance). In relation to financial years commencing before 1 July 2030, the legislation is designed in such a way that the phase-in of assurance requirements is at the discretion of the AUASB. On 20 March 2024, the AUASB released **Consultation Paper Assurance over Climate and Other Sustainability Information**, which includes a request for feedback on possible phasing of assurance requirements. The Consultation Paper is open for comment until 3 May 2024.

In addition, the auditor will also be required to form an opinion as to whether the entity has kept sustainability records sufficient to enable the sustainability report to be prepared and audited.



## Location and timing of climate disclosures

The new “sustainability report” would form a **fourth report as part of the annual report**, alongside the directors’ report, financial report and auditor’s reports. The auditor’s report on the sustainability report would be separate from the auditor’s report on the financial report.

The sustainability report would include:

- A climate statement
- Notes to the climate statement
- Any statements and notes prescribed by the regulations<sup>1</sup>
- A directors’ declaration.

The aim is to have the financial and sustainability information report prepared as part of the same cohesive document to enhance the connectivity between financial and non-financial information.

The sustainability report would comply with sustainability standards set by the AASB (and any requirements in the regulations), would be given to members (with some exceptions) and laid before the annual general meeting (where held).

The reporting timetable for the sustainability report would be consistent with existing requirements under the *Corporations Act 2001*:

Type of entity	Reporting timeline
<b>Disclosing entities, registered managed investment schemes and registrable superannuation entities</b>	<b>Within three months</b> of the end of the financial year
<b>All other entities</b>	<b>Within four months</b> of the end of the financial year

<sup>1</sup> The Minister may, by legislative instrument, require a sustainability report to include specified disclosures in relation to a) the preparation of the climate statements or b) anything included in the climate statements



### More information

For more information on the proposed content of climate reports in Australia, see our Clarity in financial reporting [Australia's first climate standards: no more waiting](#) that discusses in more detail the specific requirements of Exposure Draft SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*.

## A “modified liability” framework

Treasury has outlined a temporary “modified liability” framework to give entities and auditors time to adjust and internally build up their capability to be able to adequately disclose relevant information in accordance with the requirements of the proposed climate-related disclosure standards.

This framework will provide limited immunity from liability for company directors and auditors for so-called ‘protected statements’ made in sustainability reports relating to:

- **Scope 3 emissions, scenario analysis and transition plans** for the **first three years** commencing from the start date of the mandatory reporting regime<sup>2</sup>. Assuming a start date of 1 January 2025, this means that sustainability reports relating to periods commencing on or before 31 December 2027 will receive this relief. Effectively this means that June reporters in Group 3 (year commencing 1 July 2027) would only get one year of relief, whilst December reporters in Group 3 (year commencing 1 January 2028) would get no relief. Most Group 2 entities would qualify for two years of relief
- **Forward looking statements** made in relation to climate for the **first 12 months** commencing from the start date of the mandatory reporting regime<sup>3</sup>. Effectively this provision therefore only applies to Group 1 entities
- In respect of both of the above, **statements made in an auditor’s report** of an audit or review related to complying with the Act or auditing standards.

It is important to note that this is a limited immunity, which means that only the regulator will be able to take action relating to misleading and deceptive conduct in relation to protected statements, and no other legal action is able to be brought against a person or entity. The most common legal actions likely to be affected are civil proceedings for misleading or deceptive conduct, although alleged breaches of director’s duties and other actions such as negligent misstatement, breach of statutory duty and breach of fiduciary duties will all be covered. The explanatory memorandum to the Bill however does state that this does not prevent ASIC from bringing criminal (or other) proceedings.

The intention of this framework is to ensure that during the transitional period, ASIC can undertake a role in promoting education about compliance with sustainability reporting requirements and deter behaviours that are contrary to the objectives of such requirements.

The seven year record keeping requirement applying to financial records would be extended to information explaining or used in preparing the sustainability report. Similar requirements apply to record keeping in relation to audit information for the auditor.

“Changes will establish Australia’s climate risk disclosure framework, giving investors and companies the transparency, clarity and certainty they need to invest in new opportunities as part of the net zero transformation.”

### Treasurer’s Media Release

<sup>2</sup> i.e. Likely for the first three years from 1 January 2025 (subject to passage of legislation prior to 2 December 2024)

<sup>3</sup> i.e. Likely for the first 12 months from 1 January 2025 (subject to passage of legislation prior to 2 December 2024)

## Directors' declarations

A modified form of the directors' declaration will apply for the **first three years**, whereby the directors will declare **"the entity has taken reasonable steps to ensure the substantive provisions<sup>4</sup> of the sustainability report are in accordance with"** the Corporations Act 2001, rather than "the substantive provisions of the sustainability report are in accordance with" the Act.

## Next steps

Although the start date of the mandatory climate reporting regime is not a certainty, the **Treasurer's media release** announcing the introduction of the legislation focuses on a start date of 1 January 2025, which implies the legislation would be passed by the end of 2024. This is in line with consistent signalling from the Treasurer, the AASB and other regulators that mandatory reporting is here to stay even though estimates indicate that the cost of implementing the reporting requirements may be significant. Following the passing of legislation, the AASB is expected to release the detailed reporting standards – at the time of publication, this is expected to be in Q4 of 2024.

Reporting entities that have not yet started to consider what changes will need to be made are encouraged to do so as soon as possible, and to reach out to your Deloitte contacts for advice.

## Key resources



### Treasury consultations

- **Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024** (March 2024)



### Thought leadership

- **A director's guide to mandatory climate reporting** (Co-authored publication between Deloitte, MinterEllison and the AICD) (October 2023)



### IAS Plus summaries

- **Summary of IFRS S1**
- **Summary of IFRS S2**



### ISSB Sustainability Reporting Standards

- **IFRS S1** *General Requirements for Disclosure of Sustainability-related Financial Information*
- **IFRS S2** *Climate-related Disclosures*

<sup>4</sup> The 'substantive provisions' of a sustainability report means anything required to be included in the sustainability report under S296A(1) (i.e. Includes the content of a sustainability report being the climate statements and notes etc but excluding the directors' declaration.)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organisation”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 400,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

#### Deloitte Asia Pacific

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

#### Deloitte Australia

The Australian partnership of Deloitte Touche Tohmatsu is a member of Deloitte Asia Pacific Limited and the Deloitte organisation. As one of Australia’s leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, risk advisory, and financial advisory services through approximately 14,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at <https://www2.deloitte.com/au/en.html>.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

This publication contains general information only.

© 2024 Deloitte Touche Tohmatsu.

## Contacts

**Jonathan Streng**  
Director

[jstreng@deloitte.com.au](mailto:jstreng@deloitte.com.au)

**David Rodgers**  
Partner

[drodgers@deloitte.com.au](mailto:drodgers@deloitte.com.au)

**Paul Dobson**  
Partner

[padobson@deloitte.com.au](mailto:padobson@deloitte.com.au)

**Jacquie Fegent-McGeachie**  
Partner

[jfegent-mcgeachie@deloitte.com.au](mailto:jfegent-mcgeachie@deloitte.com.au)

**Alison White**  
Partner

[aliswhite@deloitte.com.au](mailto:aliswhite@deloitte.com.au)

**Anna Crawford**  
Partner

[acrawford@deloitte.com.au](mailto:acrawford@deloitte.com.au)

**Moana Overton**  
Partner

[moverton@deloitte.com.au](mailto:moverton@deloitte.com.au)

**Carol Warden**  
Partner

[cwarden@deloitte.com.au](mailto:cwarden@deloitte.com.au)