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FSC Australia

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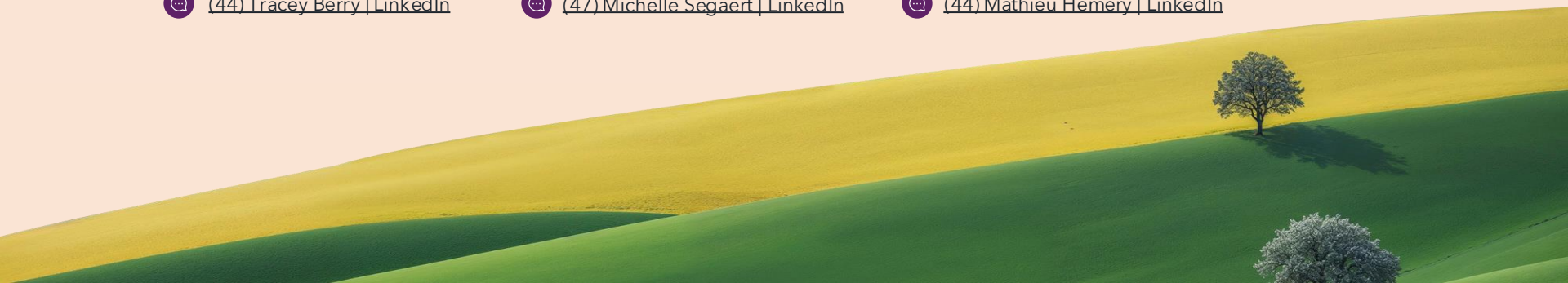


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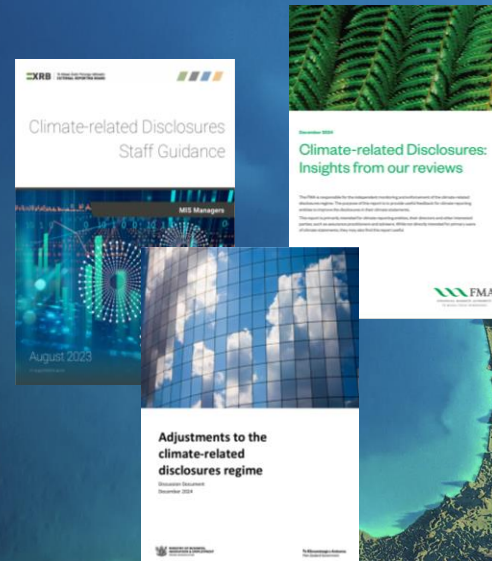
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A New Zealand Recap



- New Zealand's mandated CRD regime commenced for reporting periods beginning 1 January 2023
- There are many similarities between New Zealand and Australia – but also differences in the approach for each jurisdiction:
 - XRB (New Zealand) used TCFD as a starting point, and is mostly principles-based, with very few areas which are mandated (example: scenarios with specific temperature outcome).
 - While Australia is more rules-based, providing less flexibility, but easier comparisons in a given industry.
- New Zealand's regime is evolving: Recent Public Consultation was sought on:
- Whether the listed issuer and investment scheme manager reporting thresholds should be raised (this would reduce the number of entities who must report);
- Whether the director liability settings for the CRD regime should be adjusted to reduce, but not remove, the potential liability of directors for what is reported in climate statements; and
- If there would be value in encouraging subsidiaries of multinational corporations to file their parent company climate statements in New Zealand.



The NZ Experience: Challenges and Success



- Climate change scope is wide, the subject matter is complex
- Producing a Climate-related requires early stakeholder engagement to increase the likelihood of a desirable outcome
- Anticipate and plan for multiple review rounds before the disclosure gets to Board: Factored in the dependencies.
- Avoid creating co-dependency on external support – run together to build institutional capability.
- Disclosure is not delivery; organisations need to be able to run their disclosure process, while delivering climate and sustainability outcomes
- Balance the focus on risk; there are opportunities to identify and leverage.
- Build internal climate education materials that can be consumed by Board and staff for better cross-functional integration.
- Compliance by design: From the start – trace requirements to statements in the report, and how the statements are evidenced.
- Board and committee charters to be updated early to reflect the new requirements for climate (and likely to cover also nature and other sustainability topics).
- Scenario analysis is a new discipline for financial institutions. Requires a different mindset than typical strategy planning
- Data has proved challenging to procure (from external sources) or gather (from customers or public sources) especially for scope 3: operational emissions and financed emissions. Consider your emission factors, estimations and other models to bridge the gap.
- Going beyond this, consider ways to manage risks with imperfect / incomplete data – need to understand exposure. Document well.



The NZ Experience: Key Takeouts



- **Get the right resources and support at the beginning.**

It's a marathon, not a sprint: these changes are transformative in nature, which means it will take time to integrate properly in your organisation.

- **Climate risk has a different risk profile from other business risks:**

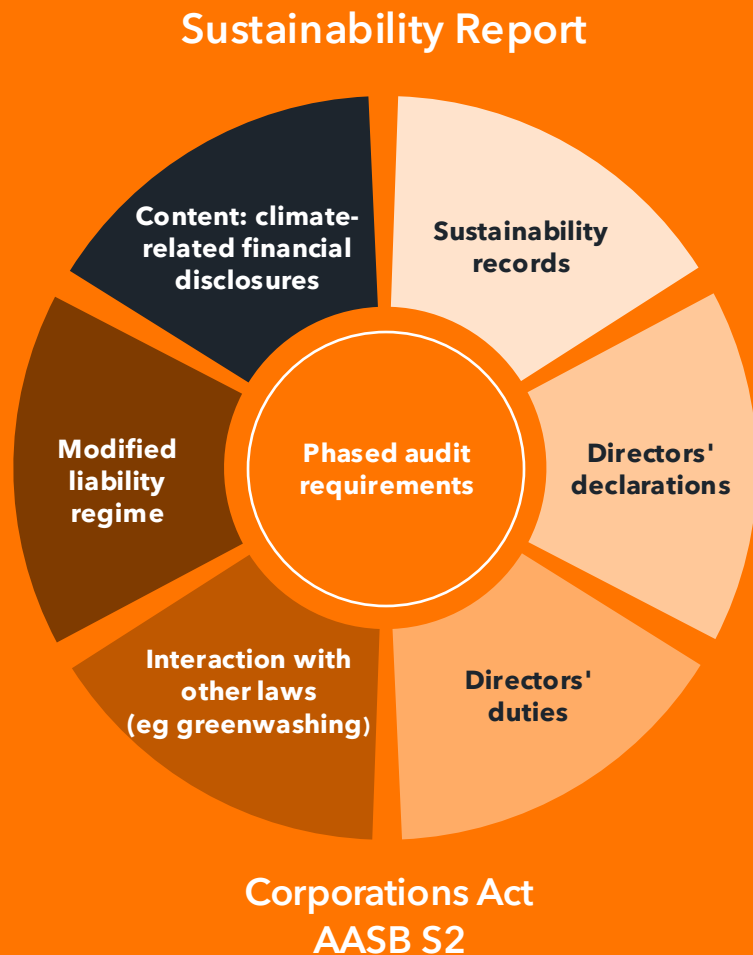
long-term horizon; complex, non-linear – it will require a different set of tools to manage well

- **Assurance and validation considered and built in from the beginning.** Retrofitting in a traceability matrix is complex and time-consuming.

- Leverage New Zealand's learnings



The Australian climate-related financial disclosure (CRFD) regime



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Overarching objective of AASB S2:

Mandatory disclosure of an entity's climate-related risks and opportunities that are useful to primary users of general purpose financial reports (investors, lenders, creditors) in making decisions about providing resources to the entity (para 1, AASB S2).

*Note: The AASB has also published **voluntary** AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information.*

Content of the climate-related financial disclosures

AASB S2 – 4 DISCLOSURE PILLARS

1. Governance



- Governance bodies/individuals
- Oversight processes, controls, procedures

2. Strategy



- Effects of climate-related risks and opportunities on:
 - business model and value chain
 - strategy and decision-making
 - financial position, financial performance and cash flow
- Climate resilience (including scenario analysis)
- Climate-related transition plan (if applicable)

3. Risk Management



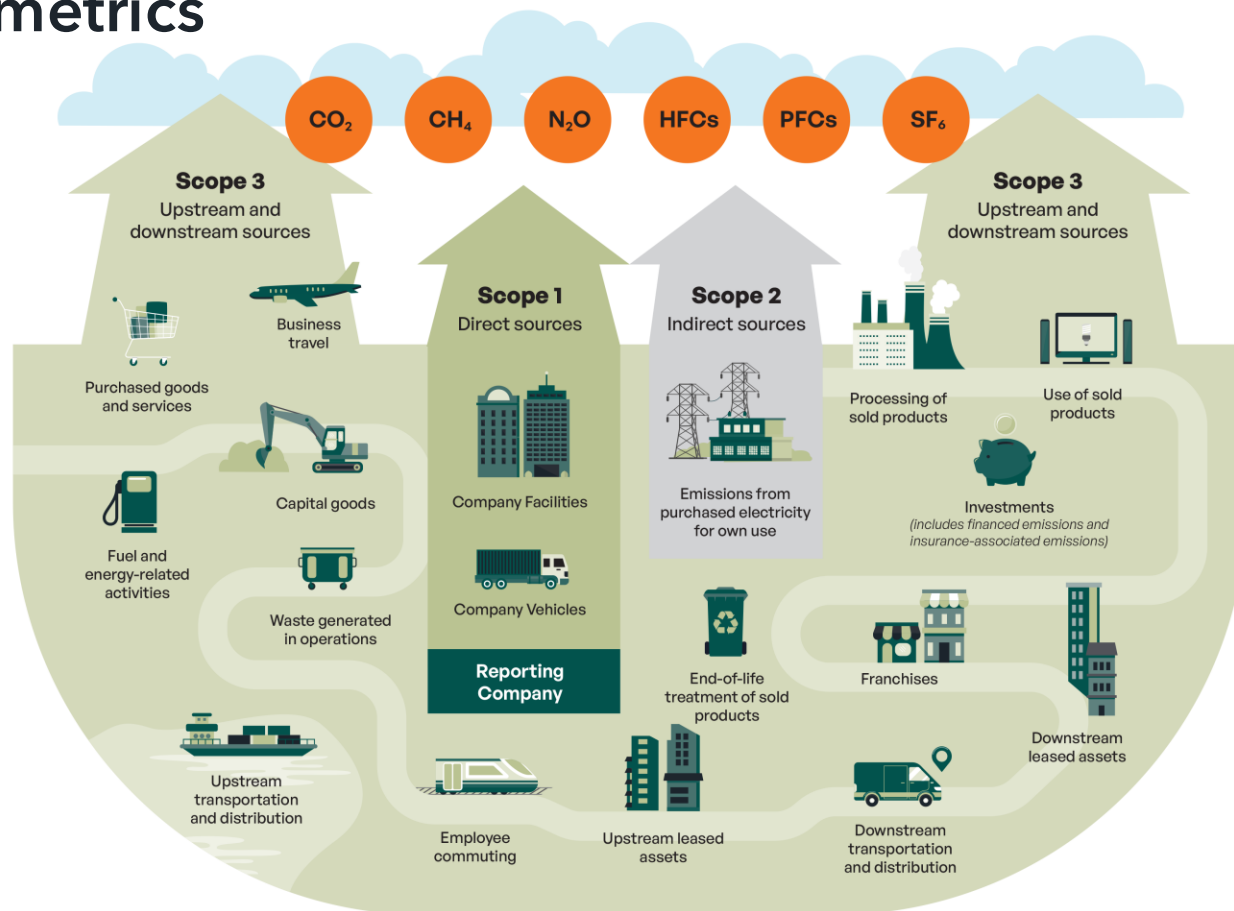
- Processes and policies to identify, assess, prioritise and monitor climate-related risks and opportunities

4. Metrics & Targets



- 7 cross-industry metric categories:
 - 1) greenhouse gas emissions (scope 1, 2 and 3)
 - 2) climate-related transition risks
 - 3) climate-related physical risks
 - 4) climate-related opportunities
 - 5) capital deployment
 - 6) internal carbon prices
 - 7) remuneration
- Climate-related targets
- Financed emissions (asset management, commercial banking or insurance)

GHG metrics



GHG metrics

For each scope and category (if applicable):

- Boundaries;
- Methodology;
- Activity data;
- Emission factor(s).

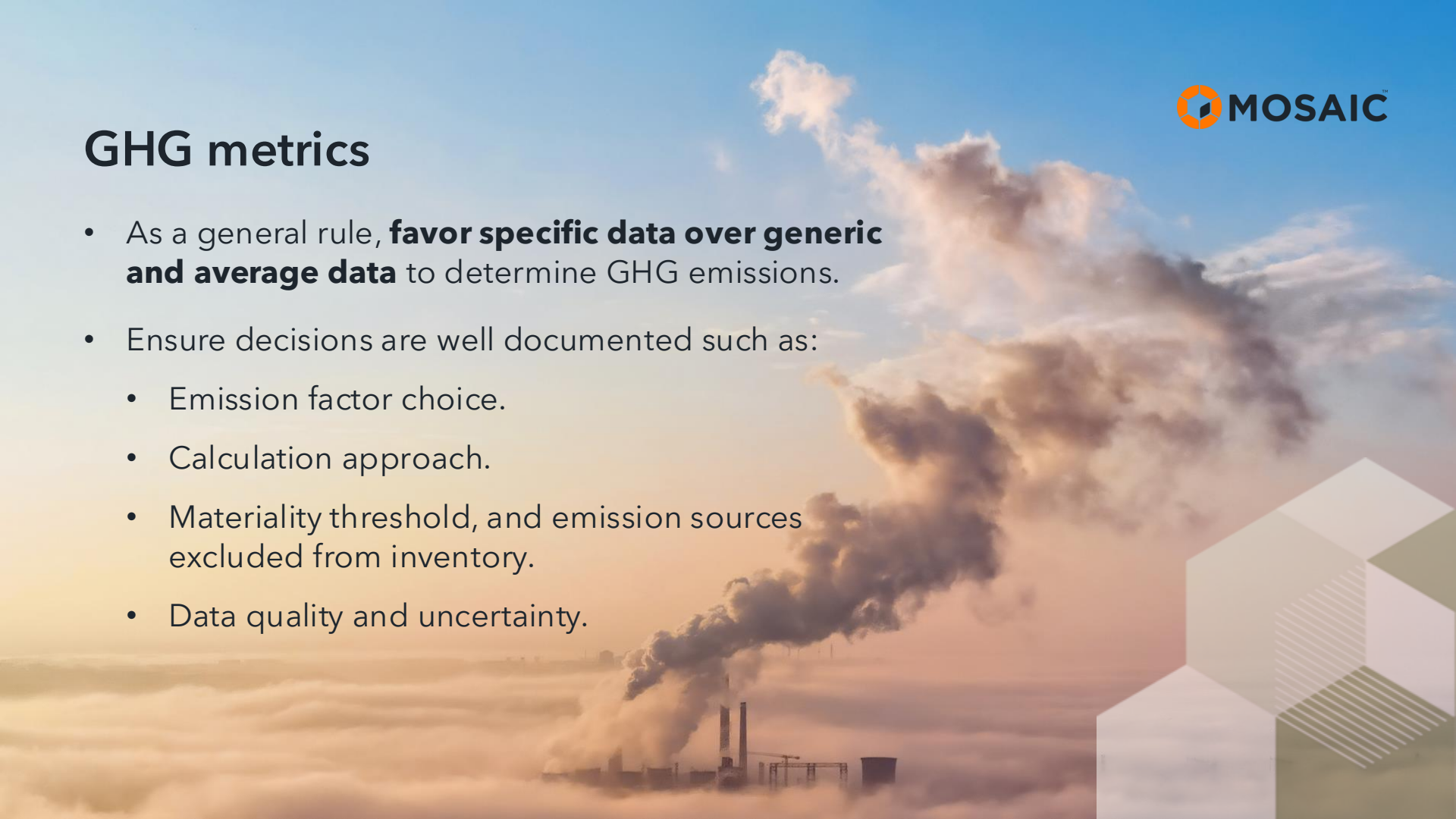
Key challenges:

- Identify relevant data points and which data sources to use;
- Identify regular publications which analyse and update emission factors based on science, census etc.



GHG metrics

- As a general rule, **favor specific data over generic and average data** to determine GHG emissions.
- Ensure decisions are well documented such as:
 - Emission factor choice.
 - Calculation approach.
 - Materiality threshold, and emission sources excluded from inventory.
 - Data quality and uncertainty.



GHG metrics

- Financed emissions are likely the largest emission source for investment managers and owners.
- Map portfolio to PCAF asset classes;
- No methodology for derivatives and more complex financial instruments.
- Choose carbon metrics:
 - Identify Scope 1, Scope 2 and Scope 3 of investees;
 - Design choice: absolute / intensity, and if intensity, denominator:
 - Revenue (WACI);
 - Production;
 - Portfolio size.



GHG metrics



- Considerations for bringing 3rd party system and/or data:
 - Operational emissions: data providers will
 - facilitate the standardisation of GHG data,
 - Select appropriate emission factors,
 - Have visualization tools
 - Financed emissions: data providers typically have GHG emissions for most common asset classes
 - breakdown by scope,
 - available intensities,
 - PCAF score.
- Important considerations for assurance:
 - Methodology documentation availability;
 - Traceability of calculation for a given asset (and agreed priority of more recent data, or actual / modelled).

GHG metrics

Core Funds investment emissions Corporate investment emissions



Fund	Asset type	FY24				FY23			
		Investment emissions (tCO ₂ e)		Investment emissions intensity (tCO ₂ e/\$m)		Investment emissions (tCO ₂ e)		Investment emissions intensity (tCO ₂ e/\$m)	
		Scope 1+2	Scope 3	Scope 1+2	Scope 3	Scope 1+2	Scope 3	Scope 1+2	Scope 3
Aggressive ⁶	Total	3,476	22,260	17.2	110.3	-	-	-	-
	Listed equity	3,476	22,260	17.2	110.3	-	-	-	-
Growth	Total	90,874	535,627	20.1	118.7	159,491	804,025	43.8	220.9
	Listed equity	90,874	535,627	20.1	118.7	159,491	804,025	43.8	220.9
Balanced	Total	36,158	229,572	17.4	110.6	69,610	358,880	42.0	216.4
	Listed equity	35,889	224,241	17.9	111.7	69,339	356,165	43.5	223.3
	Corporate bonds	269	5,331	4.0	78.4	271	2,715	4.3	42.9
Moderate	Total	19,693	126,369	17.1	111.2	39,657	199,935	39.7	203.3
	Listed equity	18,054	114,792	17.6	112.0	38,094	191,461	43.5	218.8
	Corporate bonds	1,635	11,577	12.8	103.6	1,559	8,474	12.7	78.0
	Corporate green bonds	4	-	5.4	-	4	-	7.7	-
Conservative	Total	15,813	100,667	16.8	110.9	30,704	154,496	36.0	188.2
	Listed equity	12,693	81,125	17.4	111.0	27,429	137,020	45.4	227.1
	Corporate bonds	3,112	19,542	14.9	110.7	3,266	17,476	13.1	80.2
	Corporate green bonds	8	-	5.4	-	9	-	7.7	-
Scheme Total		166,932	1,028,183	18.6	115.5	300,244	1,527,684	41.5	213.2

Measuring Climate-related Risk



What is climate risk:

- Physical risk
- Transition risk



Measuring Climate-related Risk

The role of scenario analysis as a strategic tool: process aiming at exploring plausible, challenging futures.

- Framing the problem: focal question;
- Relevant risk drivers, grouped by theme and then sorted by uncertainty and perceived magnitude if eventuating;
- Scenario narratives, and mapping to scenario archetypes.



Measuring Climate-related Risk

Mapping narrative to scenario archetypes. For example:

Key element of narrative	IPCC	NGFS	IEA
1.5 C temperature outcome; Net zero transition	RCP 1.9 or 2.6 (AR5) SSP1-1.9 or SSP1-2.6 (AR6)	Net Zero 2050	Net Zero Emissions by 2050 (NZE)
No transition, 2.5+ C temperature outcome	RCP 8.5 (AR5) SSP5-8.5 (AR6)	Current policies	Stated Policies Scenario (STEPS)

Measuring Climate-related Risk



- Simple approach: understanding portfolio, using common attributes:
 - Sector and sub-divisions: at a high level
 - Asset class
 - Country of risk
- Attributing proxy score according to available literature and analysis on preparedness to physical or transition impacts; documenting rationale for scoring.
- Advantage is flexibility of methodology; the scores provided are a view of the inherent climate risk from the portfolio.



Measuring Climate-related Risk



- **Most providers have some physical and transition risk score for assets in portfolio.**
 - Methodology and assumptions
- **Complex analytics:**
 - Climate Value at Risk (CVaR): estimation of loss given a particular scenario (based on main climate scenarios)
 - Implied Temperature Rise (ITR): showcases alignment towards a goal.
- **Modelling and limitations**
 - Climate risks are complex, i.e. interconnected and non-linear!
 - Black box risk.



Measuring Climate Opportunities

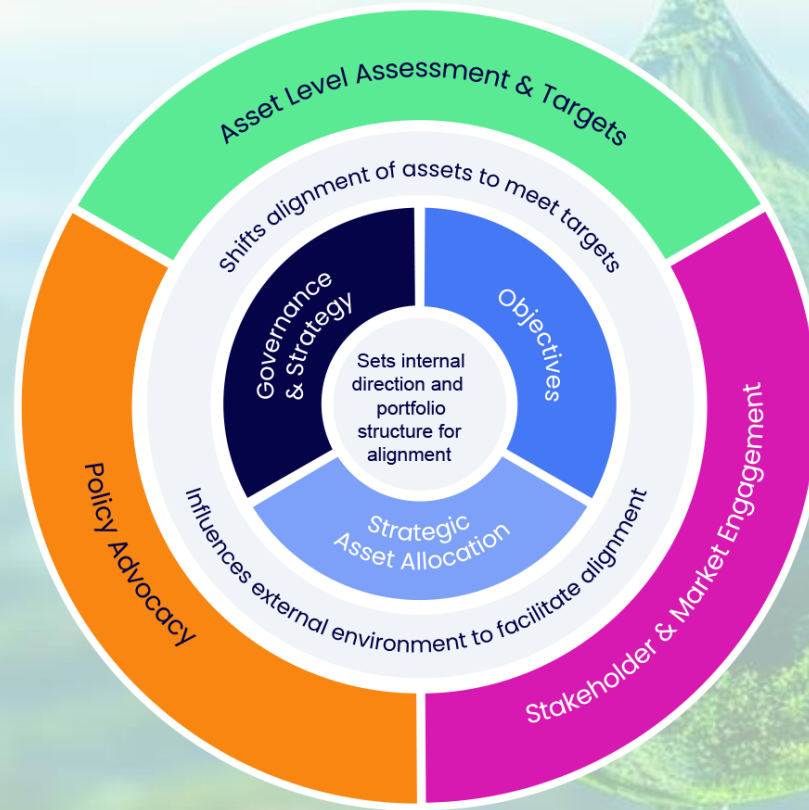
- **Climate opportunities from an investment perspective could be defined in a few ways:**
 - Green debt / equity (and confirming whether use of proceeds can be tracked).
 - Climate solutions – investment in private equity towards specific technologies supporting adaptation or transition.
 - Fund with specific objectives and investments whitelist.



Targets in the Context of Investments



- Target components
 - Base year
 - Long term / short term target
 - Target goal
 - Portfolio decarbonisation
 - Holistic approach



Measuring Climate Risk

Criteria underpinning alignment assessment



Criteria	Committed to aligning	Aligning to a net zero pathway	Aligned to a net zero pathway	Achieving net zero
Asset with emissions intensity required by the sector and regional pathway for 2050 and whose operational model will maintain this performance.				✓
Emissions performance: Current absolute or emissions intensity is at least equal to a relevant net zero pathway ⁶⁵ .			✓	✓
*Capital allocation alignment: A clear demonstration that capital expenditures are consistent with a relevant net zero pathway.			✓	✓
*Decarbonisation plan: A quantified set of measures exists to achieve short and medium term science-based targets by reducing GHGs and increasing green revenues, when relevant.		✓	✓	✓
Disclosure: Disclosure of operational scope 1, 2 and material scope 3 emissions.		✓	✓	✓
Targets: Short and medium term science-based targets to reduce GHG emissions.		✓	✓	✓
Ambition: A long term goal consistent with the global goal of achieving net zero by 2050.	✓	✓	✓	✓

*Additional alignment criteria that a corporate within a high impact material sector needs to meet.

Australian CRFD preparedness

- Key tips and traps

1

Obligations framework
and checklist

2

Directors' declarations

3

Directors' duty of care and
diligence

4

Modified liability regime

5

Misleading and deceptive
conduct and greenwashing

6

Phased audit requirements

7

Early preparedness and
monitor group shifting

8

Limits on relying on group
policies and group reporting

1. Obligations framework

From the outset, put in place an obligations framework mapping out

- Identify each specific requirement (having regard to the Corporations Act and AASB S2, including the AASB S2 appendices), and
- Identify what are the reasonable steps to be taken to meet each requirement

This will provide **evidence to demonstrate compliance** to the Board and may be used by directors as supporting material for making directors' declarations

x Do not copy and paste the approaches taken by other organisations

- Entities must have their own internal processes to develop a tailored Sustainability Report that is appropriate to their organisation and demonstrates reasonable steps for compliance
- For example, an entity's approach to climate-related scenario analysis must be commensurate with the entity's circumstances (AASB S2 para 22 and paras B1-B18 of Appendix B)
- Place equal importance on inputs and outputs

- Reasonable steps may include making **reasonable enquiries** to provide assurance that the data is appropriate and correct (and not misleading)
- This will also minimise **black box data risk** when relying on secondary or third-party data

Get the data right – entities should have a robust and rigorous verification process for data and disclosures to minimise regulatory risk

1. Obligations framework



- strengthening the approach to climate-related scenario analysis as the entity's skills and capabilities develop over time (para B7, AASB S2 Appendix B)
- climate disclosures are intended to meet common information needs of primary users (investors, lenders, creditors), whose information needs may evolve over time (para B18, AASB S2 Appendix D)
- the modified directors' declarations in the transitional period reflect ASIC's expectation that the sophistication and maturity of an entity's controls, policies, procedures and systems and directors' understanding, experience and capabilities relating to sustainability reporting will develop over time (RG 280.58)
- the quality and availability of data (especially for forward-looking disclosures) is expected to improve over time (RG 280.80)
- the quality of data, accuracy of estimation techniques and reliance on secondary data for measuring scope 3 greenhouse gas emissions is expected to improve and evolve over time (RG 280.106)

2. Directors' declarations

**Financial years
commencing between 1
January 2025 and 31
December 2027**

In the directors' opinion,
the entity has taken
reasonable steps to
ensure the Sustainability
Report is in accordance
with the Corporations
Act and AASB S2 (ss
296A(6), 1707C(2))



**Financial years
commencing on or
after 1 January 2028**

In the directors' opinion,
the Sustainability Report
is in accordance with the
Corporations Act and
AASB S2 (s 296A(6))

3. Directors' duty of care and diligence

Directors must meet the standard of care – reasonable director with the same responsibilities in the company's circumstances (s 180(1))

Directors should plan and document the reasonable steps taken to discharge the duty

ASIC expects that directors should have the following **oversight and level of knowledge**:

(RG 280.55)

1. have an understanding of the entity's sustainability reporting obligations
2. have an understanding of the entity's climate-related risks and opportunities
3. require the entity to implement systems that identify, assess and monitor the entity's material climate-related risks and opportunities
4. require the entity to implement controls, policies and procedures for preparing the Sustainability Report and maintaining adequate sustainability records
5. critically review the proposed disclosures in the Sustainability Report, such as by questioning the information, to ensure the accuracy and completeness of the disclosures and to identify any material information that may be missing

4. Modified liability regime

- × **Do not mistake the modified liability regime as a no liability regime**
- ✓ **Entities should have a clear understanding of the scope and timeline of the modified liability regime, especially ASIC's unrestricted enforcement powers**
 - 3-year modified liability regime for 'protected statements', preventing legal action being brought against entities by private actors (eg investors)
 - Criminal action or action by ASIC still applies and is not modified (eg misleading or deceptive conduct and greenwashing claims by ASIC may be brought)

PROTECTED STATEMENT	LOCATION/PURPOSE OF STATEMENT	MODIFIED LIABILITY PERIOD
A climate-related statement about the future (forward-looking) (s 1707D(4))	The statement must be made: • in the Sustainability Report, for the purpose of complying with a sustainability standard (including AASB S2); or • in an auditor's report of an audit or review of the Sustainability Report, for the purposes of complying with the Corporations Act or auditing standards.	Report prepared for financial years commencing between 1 January 2025 and 31 December 2025. <u>Only Group 1 entities will benefit.</u>
A statement about scope 3 greenhouse gas emissions (including financed emissions), scenario analysis or a transition plan (s 1707D(3))		Report prepared for financial years commencing between 1 January 2025 and 31 December 2027. <u>Group 3 entities with financial years commencing after 31 December 2027 will not benefit.</u>

4. Modified liability regime

- ✓ **Entities should take appropriate steps to minimise the risk of enforcement action by ASIC**
 - ASIC is not expected to take a hyper-critical approach to compliance with CRFD requirements (including directors' declarations) during the modified liability regime, however, the full range of enforcement action by ASIC is still available
 - Regulatory risk can be minimised by:
 - independent compliance reviews for CRFD requirements
 - taking and evidencing reasonable steps for meeting CRFD requirements

ASIC will “take a proportionate and pragmatic approach to supervision and enforcement as the requirements are being phased in”

RG 280.23

5. Misleading and deceptive conduct and greenwashing

Entities must not engage in misleading or deceptive conduct (including greenwashing) when making disclosures

- Prohibition against misleading, deceptive, false or dishonest conduct across various financial laws in specific contexts, such as:
 - s 1041E of the Corporations Act - false or misleading statements that are likely to induce persons to apply for, dispose of or acquire financial products, or affect the price for trading in financial products on a financial market (must show recklessness, or actual or constructive knowledge)
 - s 1041G of the Corporations Act - dishonest conduct in relation to a financial product or service
 - s 1041H of the Corporations Act - misleading or deceptive conduct in relation to a financial product or service
 - s 18 of the Australian Consumer Law - misleading or deceptive conduct in trade or commerce
 - s 12DA of the ASIC Act - misleading or deceptive conduct in trade or commerce in relation to financial services
 - **s 12DB of the ASIC Act** - certain false or misleading representations in trade or commerce in connection with the supply or promotion of the supply or use of financial services
 - **s 12DF of the ASIC Act** - misleading conduct in trade or commerce that is liable to mislead the public as to the nature, characteristics, suitability for their purpose or quantity of financial services

5. Misleading and deceptive conduct and greenwashing

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- **'Greenwashing'** is a form of misleading and deceptive conduct, defined as 'the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable or ethical', particularly in the context of investments (ASIC Information Sheet 271)¹



- In recent years, **regulatory intervention for greenwashing** cases has remained a **top enforcement priority for ASIC**
- Between 1 April 2023 and 30 June 2024, ASIC made 47 greenwashing regulatory interventions (ASIC Report 791; ASIC Media Release 24-185MR)
- Greenwashing and misleading conduct involving ESG claims is a 2025 enforcement priority.



- Key greenwashing cases:
 - *ASIC v LGSS Pty Ltd* (2025) (Active Super) – s 12DB(1)(a) and 12DF(1) of the ASIC Act
 - *ASIC v Vanguard Investments Australia Ltd* (2024) – s 12DB(1)(a) and (e), and s 12DF(1) of the ASIC Act
 - *ASIC v Mercer Superannuation (Australia) Limited* (2024) – s 12DB(1)(a) and s 12DF(1) of the ASIC Act



Common examples: products not being 'true to label', vague terminology, misleading headlines.

5. Misleading and deceptive conduct and greenwashing

- **It is unclear how the modified liability regime will affect ASIC's regulatory enforcement approach to greenwashing**
- ✓ **Having regard to this uncertainty, entities should ensure that, in conjunction with maintaining an appropriate obligations framework for managing CRFD obligations, entities:**
 - have reasonable grounds for making climate or ESG-related claims
 - have sufficient corroborative documentation as evidence to support those claims
 - have a robust and rigorous verification process over data inputs and outputs
 - consider ASIC guidance – Information Sheet 271 *How to avoid greenwashing when offering or promoting sustainability-related products*
 - consider case studies and guidance from ASIC's reports on its enforcement action, such as:
 - ASIC Report 763 – *ASIC's recent greenwashing interventions (2023)*²
 - ASIC Report 791 – *ASIC's interventions on greenwashing misconduct: 2023-2024 (2024)*³

²ASIC, 'Report 763 – ASIC's recent greenwashing interventions' (10 May 2023) <<https://www.asic.gov.au/regulatory-resources/find-a-document/reports/rep-763-asic-s-recent-greenwashing-interventions/>>.
³ASIC, 'Report 791 – ASIC's interventions on greenwashing misconduct: 2023-2024' (23 August 2024) <<https://www.asic.gov.au/regulatory-resources/find-a-document/reports/rep-791-asic-s-interventions-on-greenwashing-misconduct-2023-2024/>>.

5. Misleading and deceptive conduct and greenwashing

✓ Entities must have a reasonable basis for making climate-related transition plans, including net zero transition plans or commitments

- Entities must disclose information about 'any climate-related transition plan the entity has' (ie if any) (paragraph 14 AASB S2), which would include net zero transition plans
- Influential three-part series of legal opinions from Mr Noel Hutley SC and Sebastian Hartford Davis on climate change and directors' duties (2016, 2019, 2021), which addresses net zero transition plans and commitments⁴
- May amount to misleading or deceptive representations about future matters if an entity does not have a reasonable basis for making those claims

"Net zero commitments by companies are becoming common and appear to be regarded by many directors as an appropriate or necessary step in the discharge of their duties. Consideration of the impact of these commitments and related developments would also appear to be regarded by many directors as an appropriate or necessary step in the discharge of their duties, regardless of whether or not the corporation to which they owe a duty has made such a commitment..."

*"The increasing prevalence of net zero commitments **amplifies the risk of greenwashing.**"*

Noel Hutley SC and Sebastian Hartford Davis⁵

⁴Noel Hutley SC and Sebastian Hartford-Davis, *Climate Change and Directors' Duties* (Memorandum of Opinion, 7 October 2016); Noel Hutley SC and Sebastian Hartford-Davis, *Climate Change and Directors' Duties* (Supplementary Memorandum of Opinion, 26 March 2019); Noel Hutley SC and Sebastian Hartford-Davis, *Climate Change and Directors' Duties* (Further Supplementary Memorandum of Opinion, 23 April 2021). All three opinions can be found here: <https://cpd.org.au/work/2021-hutley-opinion-greenwashing-report/>.

⁵Noel Hutley SC and Sebastian Hartford-Davis, *Climate Change and Directors' Duties* (Further Supplementary Memorandum of Opinion, 23 April 2021), [7.2], [22].

6. Phased audit requirements



Be well-prepared in advance for the quick implementation of the phased audit requirements transitioning from limited to reasonable assurance

The Sustainability Report must be audited in accordance with Division 3 of Part 2M.3 (s 310A)

The audit must comply with the requirements in the following Sustainability Assurance Standards:

- **ASSA 5000** - *General Requirements for Sustainability Assurance Engagements*
- **ASSA 5010** - *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*

Audit requirements are being phased in between
1 January 2025 and 30 June 2030 (see next slide)



For best practice management of compliance with sustainability auditing requirements, entities should consider (if they have available resources) implementing an independent review and gap analysis of the Sustainability Report based on the auditing requirements and standards prior to having the audits conducted to enhance the likelihood of accurate Sustainability Reports

6. Phased audit requirements

TIMELINE AND PHASING OF ASSURANCE REQUIREMENTS FOR MANDATORY CLIMATE REPORTING

Years commencing	YEAR 1*	YEAR 2	YEAR 3	YEAR 4**	YEAR 5	YEAR 6
Group 1	1/1/25 to 30/6/26	1/7/26 to 30/06/27	1/7/27 to 30/06/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31
Group 2	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31	1/7/31 to 30/6/32
Group 3	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31	1/7/31 to 30/6/32	1/7/32 to 30/6/33
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and opportunities ***	Limited****	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate resilience assessments/ scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate-related metrics and targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

* Group 1 entities with years commencing 1 January to 30 June will be subject to the Year 1 provisions twice (e.g. years commencing 1/1/25 and 1/1/26). Scope 3 emissions reporting is required for years commencing 1/1/26 to 30/6/26 for these Group 1 entities.

** Years commencing from 1/7/30 to 30/6/31 for Group 3 entities. From that time, reasonable assurance is required for all mandatory climate disclosures.

*** The phasing for assurance on statements that there are no material climate-related risks and opportunities would be the same as for 'Strategy – Risks and Opportunities'.

**** Only subparagraphs 9(a), 10(a) and 10(b) of AASB S2.

7. Early preparedness and monitor group shifting

- ✓ **Be prepared for the event that the entity may tip into a different group at the end of a given financial year**, having regard to the entity's growth trajectory and other financial circumstances and events (eg acquisitions, corporate restructure, market or economic conditions)
 - the group status of an entity (and corresponding CRFD requirements) crystallise at the end of the financial year
 - entities only have 3 months (disclosing entities, RSEs and registered schemes) or 4 months (all other reporting entities) after the end of the relevant financial year to lodge the Sustainability Report
- ✓ Entities should have controls in place to monitor, on an ongoing basis, the likelihood that their grouping status will change



7. Early preparedness and monitor group shifting

TIMELINE AND PHASING OF ASSURANCE REQUIREMENTS FOR MANDATORY CLIMATE REPORTING

GROUP	CORPORATE SIZE THRESHOLD	EMISSIONS THRESHOLD	VALUE THRESHOLD
GROUP 1 For annual reporting periods commencing on or from 1 January 2025 to 30 June 2026	Entities meeting at least two of: 1. Consolidated revenue $\geq$ AU \$500 million; or 2. Value of consolidated value of gross assets $\geq$ AU\$1 billion; or 3. 500 or more employees. Excluding registered schemes, RSEs and retail CCIVs.	Entities that: 1. Are registered corporations under the NGER Act or are required to make an application to be registered under s 12(1) of the NGER Act; and 2. Are a member of a group (as defined in section 8 of the NGER Act) that meets, for a financial year, the threshold in s 13(1)(a) of the NGER Act. Excluding registered schemes, RSEs and retail CCIVs.	N/A
GROUP 2 For annual reporting periods commencing on or from 1 July 2026 to 30 June 2027	Entities meeting at least two of: 1. Consolidated revenue $\geq$ AU\$200 million; or 2. Value of consolidated value of gross assets $\geq$ AU\$500 million; or 3. 250 or more employees.	Entities that are registered corporations under the NGER Act or are required to make an application to be registered under s 12(1) of the NGER Act.	Registered schemes, RSEs and retail CCIVs where the value of assets at the end of the financial year of the entity (and the entities it controls) $\geq$ AU\$5 billion.
GROUP 3 For annual reporting periods commencing on or from 1 July 2027	Entities meeting at least two of: 1. Consolidated revenue $\geq$ AU\$50m. 2. Value of consolidated value of gross assets $\geq$ AU\$25m. 3. 100 or more employees.	N/A	N/A

8. Limits on relying on group policies and group reporting

- × **Generally, a reporting entity cannot submit a global sustainability policy as its Sustainability Report for the purpose of the CRFD Regime (RG 280.46)**
- ✓ **Consolidated group reporting** – a parent entity is only permitted to prepare a consolidated Sustainability Report on behalf of the reporting group if the parent entity is a Chapter 2M entity that is itself required to prepare consolidated financial statements (s 292A(2), RG 280.45-46) – same operation as annual financial statements for a consolidated entity in accordance with the accounting standards
 - the climate-related financial disclosures must be for (relate to) the same reporting entity as the related financial statements, unless otherwise permitted by law (AASB S2 para Aus20.1, AusB38.1 of Appendix D)
- × **A foreign parent entity (that is not a Chapter 2M entity) cannot prepare a consolidated Sustainability Report on behalf of its Australian reporting subsidiaries (RG 280.46) – including a global sustainability policy**
- ✓ **Cross-referencing** – information may be incorporated into the Sustainability Report by cross-referencing, if the entity complies with the conditions in AASB S2 (see paras 63, B45-B47 of AASB S2 Appendix D)
 - the cross-reference must be made to another report published by the reporting entity (RG 280.86; para 63 AASB S2 Appendix D)
 - prohibition against obscuring material information (paras 62, B27 AASB S2 Appendix D)
- × **A reporting entity cannot cross-reference to information in reports prepared by other entities (eg the global sustainability policy prepared by a foreign parent entity that is not a reporting entity)**
- × **The modified liability regime does not cover information included by cross-reference (s 1707D, RG 280.69(b), 280.86)**

Thank you

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